Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada ..... C$1.00	Japan Y600	Spain Pta145
Cyprus ..... C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt ..... E£2.25	Lebanon .. $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan .... NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No. 30,594 Wednesday July 20 1988 D 8523 A

INSIDE

EC FOOD RULES

Hard to swallow a single market

Page 2

World News

Greece lifts veto on EC farm price package

Greece last night agreed to lift its veto on the 1988/89 farm price package, after a compromise proposal held out the prospect of additional financial support for its farmers.

The deal was greeted with relief in Brussels where Athens' continuing block over the package has been casting a cloud over Greece's six month presidency of the European Community. Page 20

Soviets inspect base

Soviet officials arrived at the Greenham Common air base, 50 miles west of London, to inspect US cruise missiles under the terms of the intermediate nuclear forces (INF) treaty. The 20-strong inspection team had already visited the US and sites in West Germany. Page 8

Slovenia trial protest

About 500 people demonstrated outside a military court in Yugoslavia's most developed republic, Slovenia, where three journalists and a sergeant-major faced charges of leaking military secrets. Political tensions run high, Page 2

Gorbachev warns

Soviet leader Mikhail Gorbachev has urged Armenia and Azerbaijan to compromise in their dispute over Nagorno-Karabakh, warning that it could sabotage the perestroika reform program.

Peru strike starts

Thousands of workers from Peru's largest union grouping stayed at home on the first day of a 48-hour nationwide general strike to demand higher wages.

Burma riot deaths

Burma's Minister for Home and Religious Affairs resigned following official acknowledgement that 41 detainees suffocated to death in a police van during religious rioting.

Sino-Soviet accord

From August 14, for the first time since the Sino-Soviet split, citizens of the two countries will be able to exchange visits for business without visas.

Autonomy proposals

The Belgian Government proposed legislation increasing the autonomy of its two regions – francophone Wallonia and Dutch Flanders.

Locust invasion

A swarm of locusts 30km long and 25km wide was threatening crops in Sudan's western Dafur region.

Uranium mine fears

Residents around the East German city of Gera are increasingly concerned about the incidence of illness apparently related to a uranium mine. Page 2

Air traffic hotline

The UK Civil Aviation Authority unveiled plans for a "hotline" linking British air traffic controllers with their counterparts in Europe. Page 8

Monsoon kills 200

More than 200 people died and hundreds of thousands made homeless in a week of torrential monsoon rains across India.

Radioactive fish

A perch caught in Sweden's Gastrikland province had more than 50 times the recommended maximum radiation level, traced to the Chernobyl nuclear accident.

Business Summary

Mitsubishi Motors plans flotation this year

MITSUBISHI MOTORS, third largest Japanese carmaker, is to be floated on the Japanese stock market, probably later this year, in the largest listing of a manufacturer since the Second World War. Page 21

CITICORP, America's biggest commercial banking group, reported a strong advance in profits with second quarter net earnings at $359m or $1.03 a share, 26 per cent higher than the $285m which Citicorp expected a year ago, if not for the $3bn loan loss provision it took against its Third World lending. Page 21

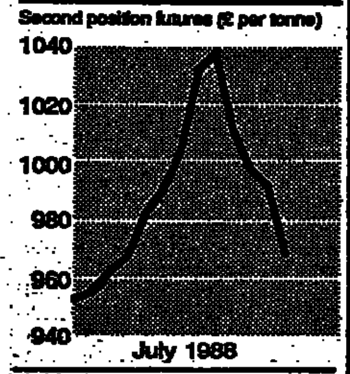
NEW CONSORTIUM of Alitalia, Swissair and Austral, private commercial Argentine airline, has put in a 55 per cent bid for Aerolineas Argentinas, Argentina's state-controlled airline. Page 21

FIVE OF France's leading financial institutions will go ahead with plans to create an independent market in stock index futures and options, despite a cool response from Paris stock exchange authorities. Page 21

COCOA: Recent sales of cocoa by the Ivory Coast, world's biggest producer, have put prices into reverse again.

Cocoa

Second position futures (£ per tonne)



The second position futures contract on the London Futures and Options Exchange (Fox) closed last night down £28 at £968 a tonne. That compared with the recent peak of £1,088 a tonne on Wednesday last week. Page 32

KOELNISCHER Rueckversicherung (Cologne Re), West Germany's second largest reinsurer, faces gross claims of DM40-DM45m ($21-$24m) as a result of last October's hurricane, an increase of some DM20m on previous estimates. Page 26

COMPAGNIE Générale d'Electricité rejected allegations that the French privatised telecommunications and engineering group had arranged a "secret pact" with a group of large friendly shareholders. Page 23.

TEXACO, third-largest US oil company, defeated takeover specialist, Mr Carl Icahn's bid for control by the comfortable majority of 58.6 per cent. Page 22

UNITED TECHNOLOGIES, Connecticut-based defence and engineering conglomerate, reported strong advance in earnings despite sluggish sales growth, making net profits of $196.2m or $1.50 a share in the second quarter. Page 24

AECI, South Africa's biggest chemicals and explosives company in which ICI has a 38 per cent stake, reported a rise in first half pre-tax earnings to R143m ($59.5m) from R121m on a 22 per cent higher first-half turnover of R1.81bn. Page 23

RENAULT, state-owned car group returned to profit after restructuring, is to be recapitalised by the French Government, according to Roger Fauroux, the new Industry Minister. Page 23

MASTERCARD/Eurocard payments system could face a shake-up following the retirement last week of Mr Russell Hogg, the president and chief executive officer of Mastercard International in New York. Page 22

Gulf war continues as UN moves to set ceasefire date

By Andrew Gowers, Middle East Editor, in London

THE United Nations stepped up its efforts to implement a ceasefire in the Gulf war yesterday, after a fresh flare-up in fighting between Iran and Iraq.

Just 24 hours after Iran's unconditional acceptance of UN Security Council resolution 598, demanding a ceasefire, Tehran said it shot down three Iraqi warplanes raiding industrial plants in southern Iran, while Iraq reported shooting down an Iranian jet attempting to attack its Kirkuk oil centre.

Baghdad also claimed, though Tehran denied, that two jets – one Iranian and one Iraqi – were shot down in a dogfight over the northern Gulf.

The latest outbreak of hostilities prompted Iran to lodge an immediate complaint with the Security Council, which was due to meet late yesterday in New York. It illustrated the uphill task facing Mr Javier Perez de Cuellar, the UN Secretary General, as he tries to set a date for a formal ceasefire.

Both belligerents seem anxious to pursue hostilities until the last minute for fear of being seen to approach eventual negotiations on a settlement from a position of weakness.

Mr Francois Guiliani, spokesman for Mr Perez de Cuellar, said: "The continuation of hostilities is a clear sign that a ceasefire must go into place as soon as possible. The Secretary General is extremely anxious that this should be the case."

Senior Western officials cautioned against interpreting yesterday's fighting as a setback to the peace hopes dramatically raised by Iran's announcement on Monday.

In Washington, Mr John Whitehead, US Assistant Secretary of State, said the Reagan Administration had "every reason to believe that they (the Iranians) intend to move towards a ceasefire." He said in a television interview that the new fighting was "not necessarily inconsistent with their decision."

His remarks underlined a growing conviction in Western capitals that an end to the eight-year-old Gulf conflict may be at hand. Mr Whitehead also held out the prospect of an eventual reduction of the US naval presence in the Gulf, and suggested that other issues which have bedevilled US-Iranian relations in recent years – such as Iran's sponsorship of kidnapping in Lebanon and its support for terrorism – may be on the way to being resolved.

"When the ceasefire goes into effect, when the other parts of resolution 598 have been instituted, when we can see that the tension in the Gulf has been reduced and the risk to free shipping has been eliminated, then we can properly begin to think about a wind-down of our forces there (in the Gulf)," he said, a statement endorsed by Mr George Shultz, the Secretary of State, who is on a Far East tour.

Iran's new pragmatic foreign policy had provided a "flicker of hope" that the plight of foreign hostages in Lebanon, including nine Americans, may be resolved and that Iran may stop supporting terrorism, Mr Whitehead added.

American officials deny that Iran's surprise acceptance of resolution 598 resulted from any secret deal between Washington and Tehran. But Middle East experts in the US believe the two governments have been signalling through third

Continued on Page 20
Background, Page 6

Thatcher reins in adviser in economic policy debate

By Michael Cassell and Philip Stephens in London

A FORMER economic adviser to Mrs Margaret Thatcher, the British Prime Minister, was yesterday urged by her office to end public criticisms of the Chancellor of the Exchequer's economic policy which have annoyed MPs and civil servants.

The message was directed at Sir Alan Walters, who advised Mrs Thatcher on economic strategy between 1981 and 1983 and who it has been indicated may return as an adviser to Mrs Thatcher.

It was sent shortly before Mr Nigel Lawson, Chancellor of the Exchequer, won an enthusiastic backing for his position and his economic strategy at a meeting of the Conservative MPs in the House of Commons.

Answering a question designed to elicit his views on Sir Alan's recent interventions, Mr Lawson said only that he was very satisfied with his current team of advisers.

Since it was disclosed last week that Sir Alan might return to Downing Street on a part-time basis, the former adviser has given several interviews which have appeared to criticise Mr Lawson.

In particular, Sir Alan has taken Mr Lawson to task for his policy of shadowing the D-Mark. Yesterday, in remarks which he claimed had been taken out of context, he was quoted as saying that Mr Lawson's term as Chancellor of the Exchequer could soon end.

The possibility that Sir Alan might return as an adviser, something still being discussed with the Prime Minister's office, has fuelled speculation that Mrs Thatcher is preparing the ground for the appointment of a new Chancellor of the Exchequer.

Despite efforts by Downing Street to reject suggestions that Sir Alan's remarks have been a source of growing embarrassment, it has now been put to him directly that he should refrain from making further public comments.

Sir Alan yesterday sought to defuse any suggestion that his remarks in recent days had been aimed at reopening the recent row over exchange rate policy between Mr Lawson and the Prime Minister.

Much of what he had said had been "misconstrued or misinterpreted" by the press. He rejected the political "spin" that had been put on his remarks and said that, in the circumstances: "I think I should probably shut up".

However, Sir Alan stood by his view, expressed in a newspaper article last week, that that it had been a mistake to seek to hold down sterling's value against the D-Mark when this involved driving down interest rates to 7½ per cent.

Japan takes case against EC anti-dumping rules to Gatt

By Ian Rodger in Tokyo

THE JAPANESE Government is taking its opposition to the European Community's anti-dumping regulations to the General Agreement on Tariffs and Trade.

The Ministry of International Trade and Industry (Miti) will make a formal proposal this week for bilateral talks on the issue under Gatt rules.

If the talks fail, it intends to request the establishment of a disputes panel, probably at a meeting of the Gatt council on September 22.

Japan has already complained to the Gatt anti-dumping committee.

Miti claims that certain aspects of the EC anti-dumping regulations run counter to Gatt rules. In particular, it is opposing the imposition of dumping duties last April on electronic typewriters and scales assembled by Japanese companies at factories within the EC.

The EC has claimed that these and other products were being made with components mostly imported from Japan to circumvent the Community's anti-dumping regulations.

It revised its anti-dumping rules last year to crack down on these so-called "screwdriver" plants.

Under the new rules, if a foreign company starts up local manufacture in the EC of a product on which dumping duties have been imposed, the local content level in the manufacture must be at least 40 per cent, otherwise the product will be considered an import subject to dumping regulations.

Miti contends that this provision violates Gatt rules in that it imposes dumping duties on the components without investigating whether or not they are dumped.

Miti also insists that the EC has failed to come up with any clear evidence that the imports of electronic typewriters and other products have injured European manufacturers.

● Reuter reports from Tokyo: Mr George Shultz, US Secretary of State, said yesterday that a corner had been turned in the long-running trade dispute between the US and Japan.

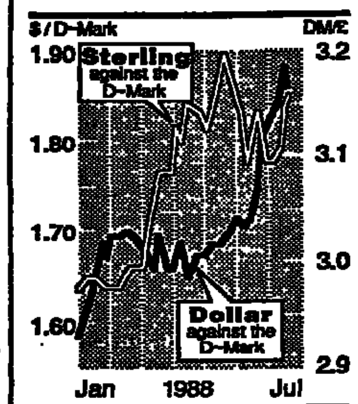
Mr Shultz said after talks with Japanese leaders, including Mr Noboru Takeshita, the Prime Minister, that the fall in the US trade deficit with Japan in the past few months was a welcome development.

The shift in the Japanese economy away from exports and towards domestic growth had helped.

"I do think the corner has been turned, and it's been turned in response to major efforts on both sides."

The US trade deficit with Japan, which was $60bn in 1987, is expected to decline by up to $10bn this year, US officials say.

Central banks continue intervention on currencies



Bundesbank increases interest rates

By Simon Holberton in London and Andrew Fisher in Frankfurt

THE BUNDESBANK, West Germany's central bank, increased interest rates for the third time in a month in an attempt to support the D-Mark and and bear down on inflationary pressures in the economy.

The central bank said the securities re-purchase, or "repo" rate, which has become a closely-watched indicator of its monetary intentions, would move up from 3.75 per cent to 4 per cent for today's commercial bank refinancing transactions.

The rise in West German rates came at the beginning of another day of co-ordinated currency market intervention by the largest central banks, and also as sterling rose sharply.

The Fed was reported to have sold dollars in New York when the US currency was trading as low as DM1.8675. Having been very resilient during the morning to intervention, the dollar then reacted and sagged to days's lows in late US trading of Y133.13 and DM1.8525. It was also quoted at 1.7040 to the pound.

Despite the dollar's weakness, the US Treasury bond market proved resilient, closing up to 3/8 point higher. The Treasury's benchmark long bond was quoted 5/16 point higher for a yield of 9.20 per cent.

Bonds appeared to have been helped by lower crude oil prices as hostilities again erupted between Iran and Iraq and by a lower Fed Funds rate which soothed fears about another move by the US Federal Reserve to nudge interest rates higher.

The equity market fared less well and the Dow Jones Industrial Average closed 20.63 points lower at 2,097.26. ENDS There was speculation in Tokyo that a rise in interest rates might be needed to ward off inflation after share prices fell on fears of higher oil prices leading to imported inflation.

The intervention, which appeared to have been successful in stalling the dollar's rise, was conducted mainly by the Bundesbank and the US Federal Reserve.

The Bank of Japan was also visible in currency markets in Tokyo, but was thought to be operating on the Bundesbank's behalf as it sold dollars for D-Marks.

By the close of European trading in London, the dollar was quoted at nearly 2 pfennigs weaker against the D-Mark at DM1.8640 and about a yen weaker at Y133.95.

The dollar also weakened by more than 2 cents against the pound to close at $1.6940.

Yesterday's rise in West German interest rates is also not seen as the final move by the authorities.

Independent economists argued that the Bundesbank had been surprised by the strength of the dollar which makes German imports costlier and is thus a harbinger of future inflation.

Yesterday's announcement of a "repo" rate increase had been generally expected, although some money market dealers had thought it might move up to 4.25 per cent.

At the end of June, the Bundesbank lifted the rate from 3.25 to 3.50 per cent, following this up at the start of July with a further increase to 3.75 per cent and a rise in the discount rate to 3 per cent from the all-time low of 2.5 per cent.

A clearer indication of the Bundesbank's tighter credit policy was the call money rate, now about the 4.5 per cent level at which the emergency Lombard funding rate stands.

A possible rise to 5 per cent in the Lombard rate next week would depend on the performance of the dollar.

Markets, Page 44; Lex, Page 20

OECD says W German growth will slow

By David Marsh in Bonn

WEST GERMANY's economic growth is likely to slow to 1.75 per cent in 1989 from an anticipated 2.25 per cent this year, with domestic expansion fading as a result of the Government's planned fiscal tightening, according to the Organisation for Economic Co-operation and Development.

The OECD, in its annual report on West Germany published yesterday, says the economy has been more resilient than expected to last October's stock market crash. But progress on easing the three large imbalances in the economy – the high unemployment rate, the "huge" gap between private sector savings and investment, and the large current account surplus – has so far been insufficient, the OECD says.

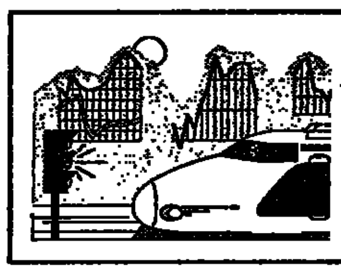
It warns that the economic adjustment process of the past few years, under which domestic demand has taken over from exports as the main motor of the economy, looks likely to run out of momentum.

This is partly a result of the real (inflation-adjusted) depreciation of the D-Mark this year, which has boosted the competitiveness of German exports and braked the fall in the country's foreign trade surplus.

Additionally, planned increases in consumer taxes next year, agreed by the government in order to reduce the budget deficit, are likely to dampen domestic demand. The OECD takes the Bonn Government severely to task over its inability to reduce subsidies and speed up deregulation.

The growth in total domestic demand is forecast to slow to 2 per cent in 1989 from 2.75 per cent this year, with private consumption and fixed investment also rising more slowly. The current account surplus

Continued on Page 20

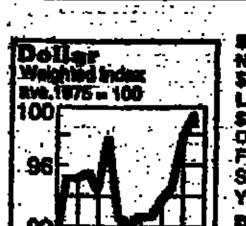


Tokyo Jitters

THE JAPANESE stock market yesterday finally gave way to the fear of inflation which has been haunting it, registering its steepest single-day fall this year. **Page 21**

MARKETS

Dollar
Weighted index
ave.1975 = 100



STERLING
New York
$ 1.7035
London:
$ 1.694 (1.6695)
DM 3.1575 (3.1425)
FFr 10.65 (10.5875)
SFr 2.6225 (2.6075)
Y 227 (224.75)

DOLLAR
New York
DM 1.8635
FFr 6.2505
SFr 1.5365
Y133.17
London:
DM 1.864 (1.882)
FFr 6.2875 (6.3425)
SFr 1.548 (1.5625)
Y133.95 (134.7)

GOLD
New York: Comex Aug
$447.50 (438.6)
London:$437.25

STOCK INDICES
New York
Dow Jones Ind. Av.
2097.26 (-20.63
S&P Comp (2pm)
267.06 (-3.43)
London:
FT-SE 100
1,844.8 (-4.5)
World:
125.62(Monday)
Tokyo
Nikkei Ave 27,149.03 (-623.09)
Frankfurt
Commerzbank
1466.6 (1493.1)

OIL
Brent 15-day (Argus)
$ 14.925 (-0.175)
West Tex Crude
$ 15.305 (-0.42)

INTEREST RATES
US (lunchtime)
Federal Funds 7¾ %
3-mth Treasury Bills: yield: 6.868%
Long Bond: 99$\frac{5}{32}$
yield: 9.26%
London
3-month interbank: close 10⅞ % (10$\frac{11}{16}$%)

CONTENTS

Pinochet dictatorship keeps the options open on democracy

General Pinochet's political future is at stake in the run-up to an unusual plebiscite which will either endorse or refuse the candidate – possibly Pinochet himself – chosen by the military junta. **Page 20**

OECD criticises Bonn failure to free growth forces

By David Marsh in Bonn

WEST GERMANY yesterday came in for heavy criticism from the Organisation for Economic Co-operation and Development, whose annual report on the economy draws attention above all to Bonn's lack of progress in cutting subsidies and pushing forward deregulation to free growth forces.

However, it does offer some words of praise to the Bonn Government for stabilising prices and reducing the size of the public sector in recent years.

The OECD suggests that the economy is caught in a "vicious circle" in which investment and job creation have become progressively more sluggish over time. The Secretariat in its original draft of the report earlier this summer spoke of the economy being caught in a "low growth trap".

The words were too strong for the Bonn Economics Ministry and were toned down during the final drafting session. But the Secretariat, none the less, spells out its view that West Germany is caught in a pattern where "low growth begets low growth".

Capital widening investment has been discouraged because average spare industrial capacity has tended to increase between successive upturn cycles. The weakness of fixed asset investment – which fell as a proprtion of Gross National Product to 20.1 per cent in 1987 from 20.6 per cent in 1982 when the centre-right coalition took power – has fed through to lowering both actual and potential output growth.

Unemployment has risen sharply between the economic cycles, more than doubling between 1979 and 1987 in spite of a strong increase in the number of "discouraged workers" who have effectively left the jobs market.

The degree of real wage adjustment to changing labour market conditions is low by international comparison, the OECD says. It points out that although regional unemployment rates vary widely, there are only small differences in regional wage increases – a consequence of the country's time-honoured system of industry-wide wage bargaining.

The OECD suggests that the economy is caught in a "vicious circle" in which investment and job creation have become progressively more sluggish over time.

In some regions with above-average unemployment rates such as Bremen and Lower Saxony, wage increases in recent years have been above average, the OECD points out. Its coded call for "more flexible wage determination" is another way of urging workers in the unemployment blackspots in the north of the country to accept lower pay rises than in the relatively booming areas of Bavaria and Baden Württemberg.

The OECD links the continuation of a high current account surplus to lagging domestic demand in relation to many of West Germany's trade partners. Although the current account deficit is declining slowly in D-Mark terms from the peak values of DM85bn (£27bn) in 1986 and DM81bn (£25.8bn) in 1987, the Secretariat notes that the surplus in dollar terms will probably rise this year to $47bn from $44bn last year.

One of the most important counterparts to the massive current account surplus is the excess of private sector savings over investment, which the Secretariat describes uncompromisingly as "huge".

In putting forward recipes for an escape from the "vicious circle", the OECD bluntly reminds the Government of its former promises. "A bolder implementation of a supply side oriented approach, to which the Government had committed itself when it came into office in 1982-83, could reinvigorate potential output growth, thereby creating room for further tax cuts, notably on business, and for selective increases in public investment. It would also enhance Germany's reputation as a location for foreign and domestic investments", the Secretariat writes.

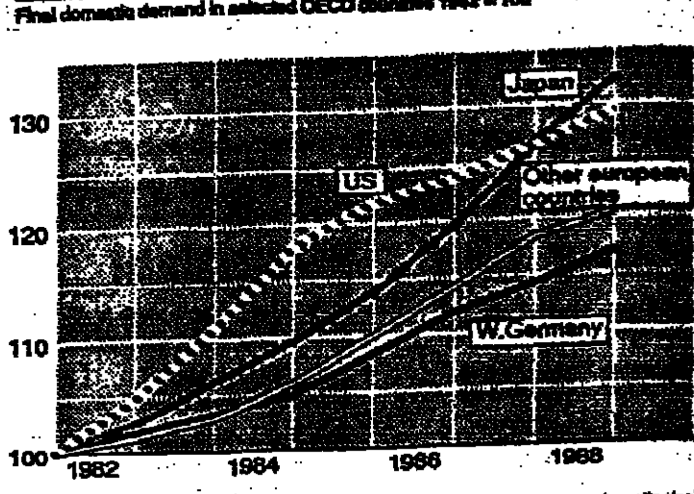
It points out that general government subsidies in 1986 were higher as a percentage of GNP than in 1982 – rising from 1.8 per cent to 2.1 per cent on a national accounts basis, and from 6.5 per cent to 6.8 per cent on the wider definition used by the Kiel economics institute. It criticises, above all, subsidies for housing, agriculture and the railways, which take up half of all subsidisation.

The OECD gives a cautious welcome as a "first step" the Government's efforts to open up telecommunications, but singles out in particular the highly regulated transport sector as a prime area for free market measures. Additionally, it calls for efforts to cut "a web of pervasive market regulations" holding back growth in services.

It recognises that the Government's promised attack on subsidies and regulation has been impeded by "the decentralisation of decision-making processes . . . and the political strength of economic pressure groups". But it concludes that, both from the national and international points of view, the need is increasing for the Government to take "more determined action" to improve the supply side of the economy.

How German demand is lagging

Final domestic demand in selected OECD countries 1982 = 100



Source : National Accounts and OECD Secretariat estimates

Yugoslav political tensions run high

By Aleksandar Lebl in Belgrade

POLITICAL TENSION in Yugoslavia is running at an unprecedentedly high level, with protests mounting over an IMF-inspired austerity programme and sharpening division between the country's nationalities.

Many Yugoslavs believe they are living through the most difficult political situation since 1948, when the Communist leadership broke with Moscow.

Controversy is growing about sweeping constitutional reform proposals which would boost the federal Government's power over the republics and deregulate the economy. The reform package is due to be presented to Parliament by the end of November.

The republic of Slovenia, where three liberal youth activists are being tried by the army, is redoubling its efforts to resist any constitutional change which, in its view, would increase the power of Serbia. It has rejected 14 draft amendments to the constitution, pleading a threat to its vital interests.

Dissent is also mounting over plans to increase the authority of Serbia proper over the two autonomous provinces which lie within its boundaries: Kosovo, where there is chronic tension between the ethnic Albanian majority and local Serbs, and Vojvodina.

The Serbs of Kosovo believe that greater Serbian power is essential for their survival. A crowd of them staged a protest in Vojvodina last week against the autonomy-minded leadership of that province.

Dr Stipe Stuvar, the new Communist party president, is a staunch opponent of nationalist tendencies but observers question whether he is in a strong enough position to deal with the latest upsurge in ethnic tension.

A wave of labour unrest has highlighted both the economic pain which the austerity programme is causing and the ailing state of country's enterprises.

Last week, for example, shoe industry workers from the Croatian town of Borovo came to Belgrade to protest over low wages. The Borovo enterprise has stocks of unsold and possibly unsaleable goods worth $40m.

Retail prices jumped by 21 per cent last month alone, which translates into an annualized rate of nearly 900 per cent. They are expected to go up by another 15 per cent in July.

● Hundreds of drivers sounding their car horns disrupted a closed military trial of three civilians and a soldier on Tuesday, Reuter reports from Ljubljana in Slovenia.

EC plans nuclear leak study

By William Dawkins in Brussels

PLANS to build robots to seek out and mend radioactive leaks and to find safer ways of decommissioning nuclear power stations are included in the Ecu 467.5m (£308m) package of cross-frontier research projects tabled by the European Commission yesterday.

Most of the six research schemes adopted by the Brussels authorities' weekly meeting will be funded from the European Community's overall Ecu 5.4bn research budget for the five years to the end of 1991, and will need the go-ahead from a majority of member states before the cash can be spent.

The Ecu 31.5m nuclear decommissioning study project could include tests on safe methods of decommissioning at the UK's Sellafield Plant and others in West Germany, France and the UK.

The robot project, named Teleman, would cost Ecu 19m. But more than half of yesterday's research allocations would go on a greatly expanded Ecu 250m second phase of a highly popular programme to assist students in technology-related subjects to study in universities or undertake industrial training in other member states.

Brussels estimates that 2,500 students have taken part in 40 exchange schemes in the current Ecu 45m phase of the project, due to run out of cash at the end of next year.

Other programmes put forward yesterday included an Ecu 15m study into using genetic analysis to predict disease, Ecu 130m to promote technology consultancy for companies in less developed regions and an Ecu 22m plan to scrutinise and improve the effectiveness of the EC's general research and development activities.

Sweden's trade surplus surges

By Sara Webb in Stockholm

SWEDEN'S TRADE surplus jumped to SKr4.4bn (£408m) in June from SKr1.8bn a year earlier, helped by a surge in exports, according to preliminary figures from the Central Statistics Office.

The value of exports rose by 15 per cent to SKr27.2bn, while imports increased by only 4 per cent to SKr22.8bn.

However, the office said it was too early to tell why exports showed a sudden increase, adding that it was more likely to be a one-off occurrence.

Excluding oil and ships, the value of exports rose by 16 per cent while imports rose by 8 per cent. Oil and ships account for 2 per cent of exports and 6 per cent of imports.

During the first six months of 1988, the trade surplus has inched up to SKr15.3bn from SKr15.2bn in the comparable period last year.

The figures reflect the fact that Sweden's exports were hit earlier this year by a three-week industrial strike, while import volumes have increased due to the consumer boom.

In the first six months the value of exports rose by 8 per cent to SKr150.8bn; that of imports by 9 per cent to SKr135.5bn.

Excluding oil and ships, exports increased by 10 per cent and imports by 13 per cent during January-June.

East Germany in radioactivity scare

By Leslie Colitt in East Berlin

THE ALARMED population in a uranium mining district of East Germany has demanded official action following an independent report of widespread cancer from radioactivity in the air, earth and water.

East German Protestant Church officials said citizens living in an area east of the city of Gera called on the Government to lift its "cloak of secrecy" on radioactivity-related deaths. The authorities, however, continued to treat the relevant hospital statistics as top secret while the subject of uranium mining and its consequences remained taboo.

Issued by a church group, a report entitled Pitchblende spoke of "growing concern" in the population of the region. The incidence of lung cancer, leukaemia, miscarriages and mental and physical defects among children was said to be well above the normal rate in East Germany.

The uranium is mined by Wismut AG which was established by the Soviet occupation forces after the Second World War and still delivers its output to the Soviet Union. Miners who suffered from periodic impotency and loss of hair were never told what they were mining, the report said.

The word uranium was avoided in all the company's literature and the Government merely thanked uranium workers for mining "ore for peace."

Many local residents were said to complain of tiredness. Oberrothenbach, near a uranium ore processing plant, was locally referred to as the "tired village."

Seven jailed in Romanian toxic waste dumping case

By Judy Dempsey in Vienna

SEVEN PEOPLE were jailed for long terms in Romania yesterday following the illegal dumping of highly toxic waste. The scandal was the apparent reason for sweeping government changes last month.

Earlier this year, some 4,000 tonnes of polychlorobiphenyl resins and pesticides, reportedly from a company in Liechtenstein, were dumped at Sulina in north-east Romania. Agerpress, the state-run news agency, said managers at Sulina, and at Chimica, a foreign trade enterprise, agreed to dump the chemicals in return for hard currency payments.

Mr Hugo Weinstein, described as a representative of Chimica, and Mr Mihail Micu, a former manager of the Sulina port, were sentenced to 18 and 13 years respectively, while long sentences were also meted out to five other officials.

Agerpress has given an indication of the seriousness of the affair by repeatedly stating that the "wastes . . . were highly noxious for the population's health and environment."

Some East European residents in Bucharest have said people were prevented from swimming in the sea around Sulina, although diplomats in Bucharest could not confirm

Commission agrees plans to sell surplus food

By Tim Dickson in Brussels

THE EUROPEAN Commission yesterday agreed proposals for a controversial scheme to boost sales of surplus foodstocks to developing countries.

The plan, which is yet to be approved by member-states, is a cross between the Community's food aid programme, which makes free food supplies available to deserving third country recipients, and the EC's ordinary commercial export regime.

Judged by its size – Ecu76m ($83.5) has been set aside in the 1989 budget – the new scheme is unlikely to attract much attention.

However, the principal of providing additional subsidies to farm exports is bound to arouse the interest of the US while negotiations over the reduction of global farm supports are continuing in the General Agreement on Tariffs and Trade (GATT).

Under the proposed commission plan, developing countries whose food requirements have not been met from commercial sources or via the food aid programme could apply to the Community for additional support.

If they meet the right criteria the Commission would arrange a commercial credit and through a combination of subsidised interest rates and repayment "holidays" would effectively subsidise at least 35 per cent at the world price of the relevant surplus agricultural commodity.

The standard export restitution would also be provided to bridge the gap between the higher european price and the world price.

The Commission has been working on such schemes since 1985 and one official pointed out last night that it would set down clear rules for the use of export food subsidies in this way.

Not insignificantly, it is also to put an end to a furious row between the French Government and the Commission over Paris's use of subsidised loans to support beef sales to Egypt.

The French openly admit that this has been a means of meeting competition in North African markets from the US.

While the Commission insists that its latest plan is "wholly" some officials privately admit that the timing is unfortunate.

Armenia unification leaders corrupt, claims Gorbachev

MR Mikhail Gorbachev, the Soviet leader, has harshly attacked the leaders of an Armenian unification movement, calling them corrupt enemies of his reforms "who stuffed their wallets" before he came to power, AP reports, quoting Radio Moscow.

Armenians have been campaigning for the union of the mountain enclave of Nagorno-Karabakh, mainly inhabited by Armenians, with their republic. On Monday, the presidium of the Supreme Soviet rejected the idea of transferring the enclave from the republic of Azerbaijan to Armenia.

According to Radio Moscow, Mr Gorbachev told the presidium of "the need to reaffirm the existing realities".

He also accused proponents of the annexation drive of exploiting the territorial dispute to hide their hostility to his program for economic and social change.

He said "the so-called Karabakh issue was being used as a smokescreen by opponents of perestroika, by conservative and corrupt people who stuffed their wallets in the period of stagnation," according to Radio Moscow.

The presidium also endorsed measures for Nagorno-Karabakh's economic, social and cultural development, and Radio Moscow said it decided to send representatives to the district to see how its decisions were being executed.

Tass yesterday distributed the first detailed summary of the presidium's decision, which said that a change of Nagorno-Karabakh's status was "impossible on a constitutional basis". Under article 78 of the constitution, the territory of a constituent republic may not be altered with its consent.

"A different decision would contradict the fundamental interests of the peoples of both republics, and cause serious harm to inter-ethnic relations in the region," it said.

The presidium also ordered the government and authorities in Armenia and Azerbaijan to take measures to halt the strikes and the widespread protest campaign sparked by the Nagorno-Karabakh dispute.

It endorsed "far-reaching measures" to improve Nagorno-Karabakh's economic and cultural development, and said the problems of the region's Armenian residents had long been neglected.

● A Soviet diplomat said yesterday his country was ready to scrap a radar station which the US Government claims violates the Anti-Ballistic Missile Treaty, if the US committed itself to the pact for at least 10 years.

Zhivkov likely to block extension of glasnost

By Judy Dempsey in Vienna

A LONG-AWAITED Bulgarian central committee plenum opened yesterday in Sofia amid growing speculation that Mr Todor Zhivkov, the party leader, would block attempts to widen the scope of glasnost and isolate any potential challenge to his authority.

The plenum, officially called "Tasks for restructuring the intellectual sphere", involves an important debate on culture, the media and the sciences.

It was supposed to have been held in May, then June, but was postponed due to growing uncertainty among the leadership about how to respond to the pace of the reform taking place in the Soviet Union.

The mounting restlessness among some of Bulgaria's normally conformist intellectuals, several of whom now pin their hopes on the ability of Mr Mikhail Gorbachev to push forward political reforms in Bulgaria, was earlier this year seen as a challenge to the leadership in Sofia which was very reluctant to hold a plenum under such circumstances.

Over the past year, several intellectuals, most notably newspaper editors, have tried to adopt a more critical stance towards the political and economic situation in Bulgaria, and particularly on environmental questions.

Mr Zhivkov, who has maintained a tight rein on the media, responded to such criticism by sacking editors and expelling prominent writers.

During the plenum, it is expected that 77-year-old Mr Zhivkov, Eastern Europe's longest serving leader, will outline his plans for the media and the arts.

But, judging from the vagueness of the draft documents under discussion, radical changes are unlikely.

Nato needs strong force in Europe, says Jane's

By Robert Mauthner, Diplomatic Correspondent

THE NATO countries should concentrate on maintaining a permanent conventional force in Western Europe, strong enough to deter any possible aggression from the Warsaw Pact, the latest edition of Jane's Weapon Systems stresses today.

The INF Treaty eliminating all ground-based medium-range nuclear missiles, whatever its merits, had inevitably alerted European governments to the need to strengthen their conventional forces, as long as the Soviet Union retained its overwhelming superiority in this field, the publication said.

"Should hostilities break out in the foreseeable future, then they would almost certainly take the form of a surprise attack by the Warsaw Pact forces, to counter and prevent the build-up of Nato forces.

"This attack would probably be launched using multiple spearheads by land and sea with a pre-emptive airborne strike against Nato airfields and submarine bases. Having been pushed back into the heart of West Germany, it would then be extremely difficult for Nato to produce a framework of counter-attack and to provide supporting forces."

It was much easier for the Warsaw Pact countries to bring their reserves into action than it was for Nato, many of whom would have to be brought across the Atlantic by ship under constant threat of submarine attack.

The strengthening of conventional forces in Western Europe could only be carried out if a large proportion of the actual forces and their logistical support was provided by the European powers themselves, notably West Germany, France and the UK, the editor of the publication, Mr Bernard Blake, writes in the foreword.

Another reason for increasing conventional forces was the probability that, once the US and the Soviet Union had reached agreement on limiting strategic nuclear weapons, they would start to "pressurise" the UK and France to reduce theirs. It was essential, therefore, for the Nato countries to modernise their existing forces, both conventional and nuclear.

West Germany, Mr Blake considered, at times gave the impression that it "may be sliding gradually into neutralism . . . or in the long term perhaps even unification with East Germany at the expense of leaving Nato." However, Mr Blake conceded that, at the moment, West Germany was still "the linchpin" of Western defence strategy.

Court ruling on pasta gives EC food for thought

Tim Dickson reports on the implications of last week's decision against Rome by the Court of Justice

ITALIAN producers will certainly have to swallow their pride. But last week's key ruling from the European Court of Justice upholding the rights of a West German pasta importer has much wider implications for the EC's internal market in food.

The ruling reconfirmed the principle of mutual recognition, whereby a product sold in one part of the Community cannot be excluded by another member state provided it is properly labelled and as long as it does not pose a risk to consumer health.

This principle was first established in the now famous Cassis de Dijon case in 1979, when the European Court declared that West Germany could not keep the Gallic crimson concoction away from its tipplers simply because it did not meet the local definition of a liqueur.

It came into play in early 1987 when the Bonn Government tried unsuccessfully to convince the court that the 470-year-old Bavarian Reinheitsgebot law banning the use of additives in German beer could be used to stop the import of foreign brews.

But in a development which sent shock waves through the Commission's Berlaymont headquarters earlier this year, the principle appeared to be in doubt when Mr Federico Mancini, the Italian Advocate General of the Court of Justice, delivered his much-anticipated opinion on the case of the West German pasta which Italy was rejecting.

In a resounding defence of the excellence of his countrymen's product, Mr Mancini surprisingly supported their right under national law to insist that pasta sold in Italy could only be manufactured with high quality durum (hard) wheat.

The major significance of last week's judgment is that it overturned that opinion – a rare, if far from unprecedented action by the Court – dismissing claims that the West German importer's mix of soft and hard wheat was somehow prejudicial to consumers' health or likely to mislead the local eater.

The ruling, however, is also likely to have a bearing on the separate political negotiations between the member states aimed at creating a genuinely barrier-free common market in food.

These took an important step forward in 1985 when the European Commission set out the details of a new strategy based closely on the principles of mutual recognition established in the Cassis de Dijon case, and which involved abandoning the idea that a technical barrier to trade in foodstuffs arising from a national law could only be removed by adopting a Community standard of the same nature (the origin of the celebrated Euro-sausage joke).

Put another way, the aim of the Brussels executive has been to promote what is known in the jargon as a horizontal approach – that is to say the development of general rules covering all food sectors, rather than detailed regulations for specific foods – frequently described as the vertical approach.

The only criteria which must be met are "the protection of health and life of humans" as referred to in Article 36 of the Treaty of Rome, and other "essential requirements" which could justifiably override the principle of the free movement of goods enshrined in Article 30 of the EC's founding charter.

In this spirit it was decided that five major laws, or directives, should be framed covering food additives, materials coming into contact with food, labelling (in this case amendments to existing legislation), foodstuffs for dietary purposes and common rules for the official inspection of food.

Until last month progress in the Council of Ministers had been notoriously slow – largely due to a highly theological but important dispute between the Commission and member states about the procedure for implementing and supervising the new rules – but in a significant breakthrough under the West German presidency a common position was reached by Internal Market Ministers on food additives and materials.

It would nevertheless be wrong to think that completing the internal EC market in foodstuffs is going to be easy from now on. Food is a highly sensitive political topic and while certainly boosting the Commission's overall strategy in this field, the growing line of Court judgments will spread new alarm inside those member states (notably France and West Germany) already worried by current trends.

One complication is the deep-rooted view in some quarters that food law should in some way be subservient to the needs of the Common Agricultural Policy. The argument was advanced (and ultimately rejected) in the recent pasta case, for example, that without a guaranteed outlet for their product in Italy, durum wheat producers would create additional surpluses to add to the already unacceptably high EC cereals stockpile.

Another growing concern in Bonn and Paris is that while desirable in other ways a free internal market in food also poses a genuine threat to the quality of certain local products.

This was highlighted most vividly by the European Court's decision last year to overturn a long-standing French ban on milk substitutes and by a parallel case against a similar West German prohibition which is expected to reach the same conclusion after the summer holidays. The purity of the West German sausage, which under national rules must be free from "artificial" ingredients like soya meal, is also under attack in a separate action which has begun in the Luxembourg Court.

While the opening up of the West German beer market by all accounts has not had the apocalytic effect feared by local producers, the signs are that the West Germans and the French (who have issued a paper with their ideas) will increasingly try to inject safeguards in the new legislation to meet some of their concerns.

Britain, the Netherlands, and Denmark, on the other hand, will certainly resist any attempts to water down the horizontal approach to the internal market with vertical rules for certain products, as will the EC's Internal Market Commissioner Lord Cockfield if reappointed at the end of the year.

Hungarians lash out with cabaret

WHILE EAST Germans are using the political cabaret to express their support for Mr Mikhail Gorbachev, the Soviet leader whose reforms are rejected by the East German leadership, Hungarians are lashing out at Romania in cabaret skits, writes Leslie Collit in Berlin.

A favourable reference to Mr Gorbachev was enthusiastically applauded by East Germans last Sunday evening at a cabaret performance in the theatre of the vast Palace of the Republic on East Berlin's Marx-Engels Square.

The applause was for a song about the "bald-headed man with the birthmark" with whom the actress singing it was madly in love.

The object of her affection however was largely boycotted by the East German media which refers to perestroika only by its more innocuous German name Umbau (reconstruction).

Hunger strike

Six Hungarians began a fast in Budapest yesterday in protest at the refusal for political reasons to allow them and nearly 3,000 others to travel to the West, Leslie Colitt reports.

The action took place as Hungary's new party leader, Mr Karoly Grosz, began a visit to the US, and was seen as an attempt to embarrass him.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

WORLD TRADE NEWS

Turkish and US groups sign $1bn rocket deal

By Jim Bodgener in Ankara

TURKEY'S leading contractor Enka and the state munitions works MKE have signed a joint venture contract in Ankara valued at $1bn (£588m) with LTV Aerospace of the US to build multi-rocket launchers (MLRs) over the next 10 years. The project is part of Ankara's ambitious plans to develop a domestic defence industry.

LTV Aerospace will take a 51 per cent stake in the scheme, with 35 per cent going to Enka, and the remainder to MKE. Part of the plant's output will be purchased on behalf of the government by the Defence Industry Development Administration (DIDA), a special defence manufacturing creation fund – the remainder will be for export.

Over the duration of the scheme, a total 168 MLRs will be produced at the plant near Burda, which will be converted from its present manufacture of tractors.

Another 12 MLRs will be imported, bring the total involved in the scheme to 180 units. The MLRs are designed to be installed on armoured cars, and have been supplied to the US Army since 1983.

The project cost also includes the manufacture of 55,000 rockets, Turkey's Defence Minister Mr Ercan Vuralhan said at the signing ceremony, which was presided over by Mr Turgut Ozal, the Prime Minister, and attended by the US ambassador to Ankara.

The rockets will be made by a venture to be established by MKE and other Turkish companies called Roketsan. Each will have a range of 30-40 km but will not have any nuclear capability.

Mr Ozal said that the project would be funded by a new financial model including medium and long-term credits, which would place the least possible burden on the Turkish economy.

As with a $1bn deal reached with FMC Corporation of the US earlier this year, the financing terms may include offset investment in Turkey.

DIDA's programme foresees the establishment of defence industry projects valued at a total of about $15bn over the next decade or so.

Backing for UK exports of Nissan cars to France

By David Buchan in Brussels

BRITAIN could count on support from the European Commission in trying to overcome French resistance to the import of Nissan cars built in the UK, Brussels officials indicated yesterday.

The Nissan case highlights the issue of what benefits the European Community should allow third countries to reap from liberalisation of its own internal market in the run-up to 1992, an issue which French diplomats yesterday stressed should be resolved soon.

The matter is likely to come to a head when the Commission publishes a white paper on policy towards the European car industry in early autumn.

But Commission officials say the Nissan cars built in North-East England "clearly qualify legally for free circulation" in the Community.

EC pledge on steel production

The European Community yesterday pledged better monitoring of the steel market so that it could react quickly if a new crisis developed following the return this month of the bloc's steel-making sector to free competition, Reuter reports from Brussels.

Continuity in US trade policy 'is assured'

By Nancy Dunne in Washington

THE elevation of Senator Lloyd Bentsen to the Democratic ticket as vice-presidential nominee ensures a continuity in US trade policy no matter who wins the presidential election, according to Mr Clayton Yeutter, US Trade Representative.

Mr Yeutter seemed yesterday to welcome the selection of Senator Bentsen, who as Chairman of the Senate Finance Committee was instrumental in producing both the 1988 Trade Bill and the US-Canadian Free Trade Agreement.

He said liaison between his office and the Democratic ticket would be established shortly after both conventions.

Planning for the mid-term review of the Uruguay Round trade negotiations will be simplified, he said, because "I can pick up the phone and talk to the potential vice-president".

The expected nomination of Senator Bentsen is also likely to speed the passage of the trade bill within the next week or two because with the presidential campaign to begin, it would be imperative for the Democrats to bring the legislation to a vote soon.

The Trade Bill itself, Mr Yeutter claims, "ratifies the modus operandi we've been following".

Nothing in it suggested that a future Administration would operate any differently.

"There is ample discretion in every relevant provision" to prevent an Administration from taking protectionist actions."

Mr Yeutter said he had met last week with Community officials in Brussels to express US support for the EC single market.

But widespread unease exists about its impact on the Community's trading partners, particularly in the financial services area.

The US wants to avoid the kind of situation which occurred over the Portuguese and Spanish accession, when the US and EC came to the brink of trade war over grains trade.

Spain steams ahead with high speed trains

Peter Bruce reports on ambitious plans to upgrade Spanish railways

IN BONN, Bavarians elected to the Bundestag still joke that the best thing about the city is Friday's train to Munich. In Madrid, the Andalucians who currently run Spain have no easy way back to Seville by train. The trip takes six hours.

But it is about to change. Before the end of this month, Renfe the Spanish national railway company, is due to announce the final competitors in a race to supply it with up to 30 high speed trains, worth some Pta 35bn ($281m), to service a new line between Madrid and Seville.

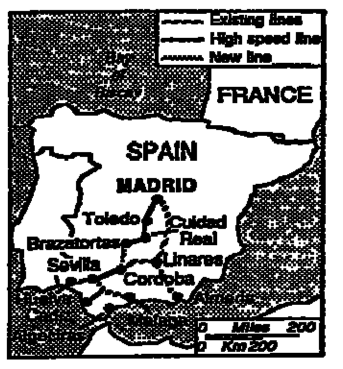
In addition, Renfe will name the final contestants in a parallel contract to supply it with 75 high-powered locomotives, also worth about Pta 35bn, for use on other parts of its network.

The total $583m award will be one of the largest made for trains in Europe before the end of the century. Although the project falls broadly under the so-called *Plan de Transporte Ferroviario* (PTF), drawn up last year by the Transport Ministry to make investments up to the year 2000, more than 80 per cent of the Pta 2 trillion (million million) involved is to be spent on the Madrid-Seville high speed line.

That has to be completed by 1992 when Seville hosts the World Expo – the 500th anniversary of Columbus's discovery of America – and the Government is determined to use it and the 1992 Olympics in Barcelona to announce Spain's coming of age as a serious Western power.

"There is not much time," notes a Renfe official. "This is a race against the clock and we have to decide soon." Work on improving the line, building whole new stretches in parts, is already under way. One of Madrid's main stations, Atocha, will be closed for rebuilding in September and will only reopen in 1991.

He believes the two contracts will be awarded in October at the latest. Even now, it is clear that the finalists for



the high speed trains (traction units plus coaches capable of 250km-h) will be a West German consortium headed by Siemens, a French bid led by Alsthom and a Japanese offering from Mitsubishi Electric.

Mitsubishi also tendered for the locomotives and will probably overpower opposition from Breda Ansaldo of Italy and the Czech Skoda group.

The Japanese are particularly well placed for the locomotive contract, having already supplied 351 of its 269-601 engines to Renfe, some of which are now being upgraded to travel at 200 km-h by the Spanish group, Contrucciones y Auxiliar de Ferrocarriles (Caf). The original purchase involved a major transfer of technology – on which the Spanish are again insisting for both contracts – with Mitsubishi building only eight complete locomotives in Japan. Mitsubishi has offered to buy Caf as a demonstration of its long-term commitment to Spain, if it wins both contracts.

The Japanese are acutely aware that the Renfe deals represent perhaps a final chance to gain a secure foothold in the European Community's rail industry before 1992. Equally, because of Spain's eagerness to be seen as a contributing EC member, Mitsubishi's chances of winning the high speed contract seem slim.

"It would look strange," says a Ministry of Transport official, "just as we are going into the Community to give this to Japan." The decision, though Renfe's, will be entirely political.

The problem for the politicians is that Mitsubishi, which is offering a modernised version of its Shinkansen Bullet Train, has bid some 30 per cent lower than the French and German-led consortia.

Both competing consortia have been asked to resubmit their bids and intense negotiations were being held with all the parties last week.

Whatever system is chosen, it should reduce travelling time between Madrid and Seville to two hours and 50 minutes. It should also put paid to the Andalucian bottleneck that occurs daily just north of Linares as traffic moves towards Madrid from the trading ports of Huelva, Cadiz, Algeciras, Malaga and Almeria.

Bigger aid budget 'would help UK groups compete'

By Peter Montagnon, World Trade Editor

THE recent increase in Britain's foreign aid budget has been insufficient to help British companies compete more effectively for project business in developing-country markets, the UK Overseas Project Board said yesterday.

"Compared with the aid programmes of our main industrial competitors such as the Japanese, French, Germans and Italians, the UK bilateral aid programme is small in absolute terms and growing less fast," the board said in its sixth report.

The board, a government-constituted advisory group of businessmen, said a further increase in the aid programme was needed to enable bilateral aid spending to be increased without affecting the UK's commitments to multilateral development agencies and the EC.

Britain's aid budget this year is £1.8bn and it is planned to increase it to £1.42bn by 1990-91.

The board's report suggests this increase in aid has failed to lay to rest the controversy over aid spending that flared last year with a critical report by the House of Commons Foreign Affairs Committee.

Privately, industrialists say they expect a fresh wave of commercial lobbying soon, on the grounds that Britain's aid spending has shrunk to just 0.28 per cent of Gross National Product at a time when the public sector generally is in growing surplus.

Mr Don Holland, outgoing chairman of the OPB, said yesterday that Italy was one of the few countries now registering an increase in overseas construction contracts. This was related to a sharp increase in its aid budget.

The OPB report said the Government's aid and trade provision (ATP), under which aid money is earmarked to help finance projects, should be increased.

Demand for such support has reached a new high.

Tighter mixed credit rules mean fewer projects can be financed unless the budget is increased.

Airbus power unit order goes to US

ALLIED-SIGNAL Inc. of the US said yesterday that its Allied-Signal Aerospace Co. subsidiary had received a contract with an estimated value of more than $300m (£176m) to provide the auxiliary power unit for the new Airbus A-330 and A-340 large transport aircraft, AP-DJ reports.

The company said Allied-Signal's Garrett GMBH unit in West Germany had received the contract from Messerschmitt Boelkow Blohm. Garrett GMBH will work with three European manufacturers to produce the power unit.

The Airbus A-340 is scheduled for completion in 1992, with the Airbus A-330 expected to follow within a year.

Ammunition order

Astra Holdings, a UK-owned ammunition maker, has won a $22m order to supply shells for ship-borne anti-missiles for the US Defence Department, Peter Marsh writes. The order is the company's first for ammunition for US forces.

Argentina trade surplus increases 67 per cent

By Gary Mead in Buenos Aires

ARGENTINA has recorded a substantial improvement in its balance of trade for the first four months of 1988, according to the latest set of official figures.

Between January and the end of April this year the trade surplus was $578m, a 67.5 per cent increase over the same period for 1987, when the figure was $345m.

The additional surplus derives from a 7.7 per cent increase in the country's exports, combined with a drop in imports of 5 per cent.

In April alone, imports dropped by 9.2 per cent. Total exports for the period amounted to $2.13bn, while total imports are valued at $1.55bn.

The figures seem to indicate an improvement in the Argentine economy; the trade surplus for these first four months is only $10m less than for the first nine months of 1987, which was $588m.

But there are two factors to be taken into account, which hint at a less optimistic conclusion.

First is that the surplus is mainly due to the increase in the value of Argentina's grain and grain-related products, which account for fractionally more than 50 per cent of its exports.

The recent drought in the United States has encouraged the Buenos Aires Government to revise its projections for 1988.

At the start of the year it predicted a trade surplus of between $2bn and $2.5bn.

Now the rising international prices for cereals means that Argentina may now expect an additional $1bn surplus by the end of the year.

This surplus may well be a transient event in an otherwise gloomy picture. The second factor is that the 1987 figures, against which this year's appear a marked improvement, indicated a 70 per cent drop in the trade surplus against that for 1986.

Figures for 1987 were the lowest for a decade, which suggests that Argentina is recovering lost ground, rather than gaining new.

Home construction recession 'may have reached its low'

By Anthony Harris in Washington

THE US housebuilding recession, which has now persisted for two years, may be at its low point, according to the latest figures from the Department of Commerce.

These show a 5 per cent rise in private housing starts between May and June, to a seasonally adjusted annual rate of 1.45m, and a 4 per cent rise in the much more reliable figures for building permits.

For the first six months of 1988, however, housing starts are down 11 per cent and permits down 9 per cent from the same period in 1987, and activity in 1987 was itself more than 10 per cent down from 1986.

The recovery may not last: the Federal Reserve regards hosuebuilding and house prices as the only variables which respond strongly and promptly to changes in interest rates, and both market rates and mortgage costs have risen since June. Indeed, the Fed believes that a check to house prices is its most effective method of influencing consumer spending, which is strongly influenced by any increase or decrease in unrealised profits on existing houses.

The recovery is most strongly marked in the Midwest, where planned activity is now higher than in 1987, and in the south. It is in these regions that the slump has been most marked. There is no reliable chsnge of trend in the relatively buoyant north-eastern and western coastal regions.

There has indeed been no marked recession in the northeast during the last two years, but on the west coast, where a specualtive boom came to an abrupt end eighteen months ago, housebuilding is still more than 25 per cent below its peak.

Brazil employers explore pact with trade unions

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S employers are once again tentatively sounding out the country's big trade union federations over the possibility of a "social pact" aimed at forming a common front against inflation.

The new initiative, coming just a year after the collapse of joint talks on a similar scheme, has been the subject of sporadic informal talks between moderate unions' leaders and employers' federations. It was raised again this week at an informal meeting of employers' groups.

The proposals envisage an as yet unformulated trade-off in which companies would give commitments in terms of investment and job creation in return for union assurances on moderate pay claims.

Any such plan is likely to receive short shrift from the Central Unico dos Trabalhadores (CUT), the left-wing confederation closely associated with Brazil's socialist Workers' Party (PT). CUT says that only free collective bargaining can restore its members real purchasing power which has fallen in some cases by as much as 60 per cent since 1986.

Democrats at home on the television set

By Peter Riddell in Atlanta

Jesse Jackson reaches out to his admirers yesterday

IT MUST be distinctly odd, even disconcerting, to speak from the podium at the Democratic Convention. You are given your couple of minutes of glory to praise the Dukakis/Bentsen ticket, but below you almost nobody pays the slightest attention.

Delegates walk along the aisles, chat, watch for party and television celebrities (the latter having higher status), and occasionally get interviewed. But, only in desperation, do they listen.

For much of the five hour opening session of the convention on Monday night, it was hard for anyone sitting in the hall to grasp the point of it all, apart from the colour and spectacle.

A succession of party dignitaries, 35 in all, made their short, bland, though largely disconnected contributions. Despite the occasional chants of "Jesse, Jesse", there was no drama, suspense or political edge.

Then, suddenly, the real purpose was revealed. In one of the rare impromptu comments of the evening Mr Jim Wright, the Speaker of the House of Representatives and convention chairman, told the delegates, "you'll all look good on television tonight." Everything, but everything, is arranged for the benefit of the television networks – the timing (in the evening for maximum coverage), the arrangement of what Mr Wright described as "the programme", and, above all, the design of the hall.

CONVENTION NOTEBOOK

The Omni arena, usually used for basketball, was chosen in preference to the considerably larger World Congress Center next door because the former had the necessary height for the cameras. This was even though many guests and media are excluded from the hall. For anyone inside the set looks odd – an 85ft high podium projecting 100ft out into the hall.

The set has been compared with a movie spaceship or film set mountain from some grotesque epic. The salmon pink and off-blue stripes, to suit the cameras, appear like a sickly marzipan cake.

On top of the podium is a full orchestra, with a drummer having the time of his life, playing the theme tunes or anthems of the states of everyone who speaks.

Unfortunately there was no-one on Monday from Maryland; its anthem is familiar as "The Red Flag".

Facing this podium, overshadowing the floor, are two enormous blocks of cabins for the main television networks. Their penthouse windows look out on to the floor so that everyone can gaze at the evening news anchors presenting the shows and interviewing the famous.

On the floor itself, the delegates sit in blocks for each state with their mini-computer terminals to record votes, though everything on Monday was by acclamation. In the crowded aisles people strolled to watch and be watched. Prominent congressmen, with apparently fixed smiles, grasped all hands and shoulders within reach.

The speeches were neatly interspersed with videos and musical diversions. When the organisers wanted to reduce the hubbub on the conference floor – notably for the 30 minute keynote address by Ann Richards, the Texas state treasurer – they lowered the lights to focus attention on her, which they quickly raised again for applause.

For British eyes and ears, the closest domestic parallel is not a party conference but the recent performances of Aida at Earls Court – lots of spectacle, splendid music but little feeling of direct involvement. The whole affair dwarfs any British conference, both in cost and numbers.

Yet there are more basic differences from a British conference.

On Monday night far-reaching changes in the rules for the future selection of delegates – to ensure a closer relationship with the balance of voting in primaries – was approved without opposition, though only after considerable prior debate. Similarly, the credentials of delegates were approved without challenge for the first time since the 1950s.

This harmony would be inconceivable at a Labour Party conference, where Mr Derek Gladwyn, the perennial chairman of the conference arrangements committee, struggles in a long-suffering way each year with the protests of party activists about the conduct of debates.

Party matriarch scorns Bush to delegates' delight

Stewart Fleming observes the convention's keynote address

RIDICULE is a weapon the Democrats have all too rarely employed effectively against President Reagan's administration or his Vice-President, George Bush.

On Monday night however, Ms Ann Richards, an elegant Texan grandmother who projects the earthy toughness of a Dynasty matriarch, proved what an easy target Mr Bush can be, especially when the tormentor is a woman.

"For eight straight years George Bush hasn't displayed the slightest interest in anything we care about. And now that he is after a job that he can't get appointed to, he's like Columbus discovering America – he's found child care, he's found education," Ms Richards, the Texas state treasurer, told a joyous opening session at the Democratic Convention. "Poor George," she went on in a barbed reference to his aristocratic roots and verbal infelicities, "he can't help it he was born with a silver foot in his mouth."

The Democrats could have been forgiven on Monday for opening the convention with a few bars from Beethoven's Ode to Joy, such was the optimism after Mr Michael Dukakis and Rev Jesse Jackson had settled their differences.

In fact they went one better, presenting to the American public an image of their party the voters have seen all to rarely in recent years.

As prime time television coverage of the event opened at 9.00pm the first sight the voters were presented with was not the noisy disrespectful chaos which normally characterises Democratic conventions, but of five thousand delegates heads bowed respectfully and silently in prayer as they listened to the invocation.

Then, with charm and subtlety, the patriotic symbols were paraded across the screen, symbols which had been scorned in the past by Democratic radicals, and which Ronald Reagan seemed to have made his (and his party's) own.

First, in their bright red tunics the marine drum and bugle corps played God Bless America. Then Mr Garrison Keillor, a witty spinner of tales from the farm belt, appeared in the unaccustomed role of lead singer, for a rendering of the national anthem.

Then came Ms Richards, standing high above the floor of the convention, her image silhouetted by the spotlights which are part of the Hollywood-designed convention staging. Ms Richards delivered the message of hope and change which party leaders believe will resonate among voters and stymie Republican efforts to remind the electorate of the failures of the party's not too distant past.

Stirring memories of happier days, when Democrats believed they were the voice of the American people, not the prey of the multifarious political interest groups who have been banished to the fringes of this convention, she conjured up a mood of optimism among the delegates which will have made Mr Dukakis's task easier in forging party unity.

Nicaraguan ceasefire in doubt as Contras elect hardline chief

By Tim Coone in Managua

NICARAGUA'S tenuous ceasefire is likely to end soon following the election on Monday of ex-Colonel Enrique Bermudez to the directorship of the US-backed Contra organisation, Resistencia Nicaraguense.

The hardline military chief of the Contras was voted onto the RN's seven-man directorate during a three-day meeting of the Contra leadership in Santo Domingo, capital of the Dominican Republic.

Mr Pedro Joaquin Chamorro, former editor of the opposition newspaper La Prensa (closed down last week by the Nicaraguan government), and a moderate in favour of negotiations with the Sandinistas, lost his position on the directorate.

Mr Bermudez, a former colonel in the National Guard of deposed dictator Anastasio Somoza, has been the principal military chief of the Contras since the US Central Intelligence Agency first began organising a guerrilla army in 1981 to fight the Sandinistas, who seized power nine years ago yesterday.

Since its formation the RN has been subject to in-fighting between its various political and military factions over strategy, power and the shareout of congressional funds. The deepest division was in April this year following the signing of the ceasefire agreements at Sapoa in southern Nicaragua between the government and the Contra leadership. Mr Bermudez, backed by the CIA, opposed the signing of the agreements which would have led to the disarming of the Contras and their return to civilian life to continue their fight at a political level.

Several Contra leaders in command of guerrilla columns inside Nicaragua then led a rebellion against Mr Bermudez, and backed by Mr Chamorro, accusing him of corruption and lack of leadership ability. The two Contra military chiefs that signed the Sapoa agreements were subsequently expelled from the RN by Mr Bermudez, and were also expelled from Honduras where the RN headquarters is based.

Mr Bermudez's election gives him effective control over both the political and the military wings of the RN.

Argentina seeks $4.7bn to cover fiscal deficit

By Gary Mead in Buenos Aires

AN Argentine delegation now in Washington is seeking a total of $4.7bn from the International Monetary Fund, the commercial banks, the World Bank and the Inter-American Development Bank.

It hopes that this will be sufficient to cover its fiscal deficit for 1988, and interest payments for this and the whole of next year.

Within that total, the IMF is being asked for $1.5bn, in the form of a standby loan, as well as releasing $400m from a similar loan negotiated in 1987. Commercial creditors are to be asked for about $2bn, and the remaining funds are being sought from the World Bank and the Inter-American Development Bank.

Discussions with the IMF and the other international agencies are likely to be easier than those with the 320 commercial banks that have lent money to Argentina.

Those banks account for 65 per cent of the country's $56bn foreign debt, interest on which will amount to nearly $5bn in 1988.

In 1987 Argentina's fiscal deficit was more than 7 per cent, despite an agreement of intent signed with the IMF that it would be held to less than 3 per cent.

The previous IMF package also included an undertaking that inflation would be cut to 4 per cent a month. Both on the fiscal deficit and inflation fronts – which last month was 18 per cent – the Argentine Government is now falling behind.

A mounting money problem

David Owen in Toronto reports on Canada's public sector debt

ASK a Canadian to list the three most pressing problems facing Canada today and, chances are, the high level of Government indebtedness will not feature.

More likely candidates for mention might include, say, constitutional reform, the country's increasingly close ties with the United States and the excruciatingly indifferent form of the Toronto Blue Jays baseball team.

Yet the urgent need to address the still mounting accumulated public sector debt will be a key factor in shaping the policies of the next Canadian Government. Along with the victor's crown in the forthcoming election (due to be called by September 1989 but expected sooner) will come a debt load likely to force the new Government to make some very tough political choices.

Since 1980, the net direct debt owed by the federal Government has doubled as a proportion of Canadian GDP to more than 53 per cent. This is despite five successive years of robust, revenue-generating growth after the 1981/2 recession. In absolute terms, Federal Government debt now stands at C$293.4bn ($242.5m). If accumulated provincial government indebtedness is added, the figure rises to C$399.3bn, or more than 72 per cent of gross domestic product (GDP). As much as 17 per cent of all Canadian direct government debt is held by foreigners.

Since coming to power in September 1984, Prime Minister Brian Mulroney's Conservative administration has at least made inroads into the annual budget deficit, reducing it from C$38.3bn to C$29.3bn. Virtually all the reduction was made during Mr Mulroney's first two years in office, however. Latterly, with ministerial thoughts straying increasingly to securing re-election, progress in eliminating the gap has been minimal.

Hopes of further improvement have been frustrated partly by the heavy burden of servicing existing debt. This is currently rising by nearly 10 per cent a year. Some C$32bn (out of projected total federal government spending of C$132.8 bn) has been earmarked by the Treasury for debt payments in the 1988/9 fiscal year. This compares with a net borrowing requirement which is expected to reach C$22.3 bn.

What makes the need for rapid post-ballot action particularly acute is that the robust growth manifested by the North American economy in recent years is projected soon to fizzle. Higher interest rates and business capital spending, rising commodity prices and labour costs, improved use ofcapacity – all are cited by economists as textbook evidence that a period of slower growth is on the way.

"The Canadian economy," according to Mr Ian Russell, a vice president with the Investment Dealers Association of Canada, "is now entering the mature phase of the business cycle." Slower growth means lower tax revenues, which in turn will make it harder to stick to the finance department's deficit reduction targets.

Yet even while growth is strong, these targets are under pressure both from the high interest rates which the Bank of Canada deems it necessary to impose to prevent overheating in the central Canadian economy and from the government's apparent determination to spend its way to another election victory. At around 9.3 per cent, 90-day commercial paper rates are running well ahead of the 8.5 per cent average which the finance department forecast for the year. This means that the Government is currently spending more than it bargained for on debt servicing.

Once democracy has had its day, which could be as soon as September, Canada's new rulers will have little choice but to confront the public sector's increasing vulnerability to an economic downturn. This will boil down to a Hobson's choice of printing money, raising taxes or cutting services.

Their room for manoeuvre is strictly limited. For one thing, the option of inflating out of trouble is unlikely to be available while Mr John Crow remains in the governor's chair at the Bank of Canada. Since his appointment in February 1987, Mr Crow has made lower inflation a top personal priority – even if the measures necessary to keep prices in check result in a slowdown in the expansion of demand in the economy.

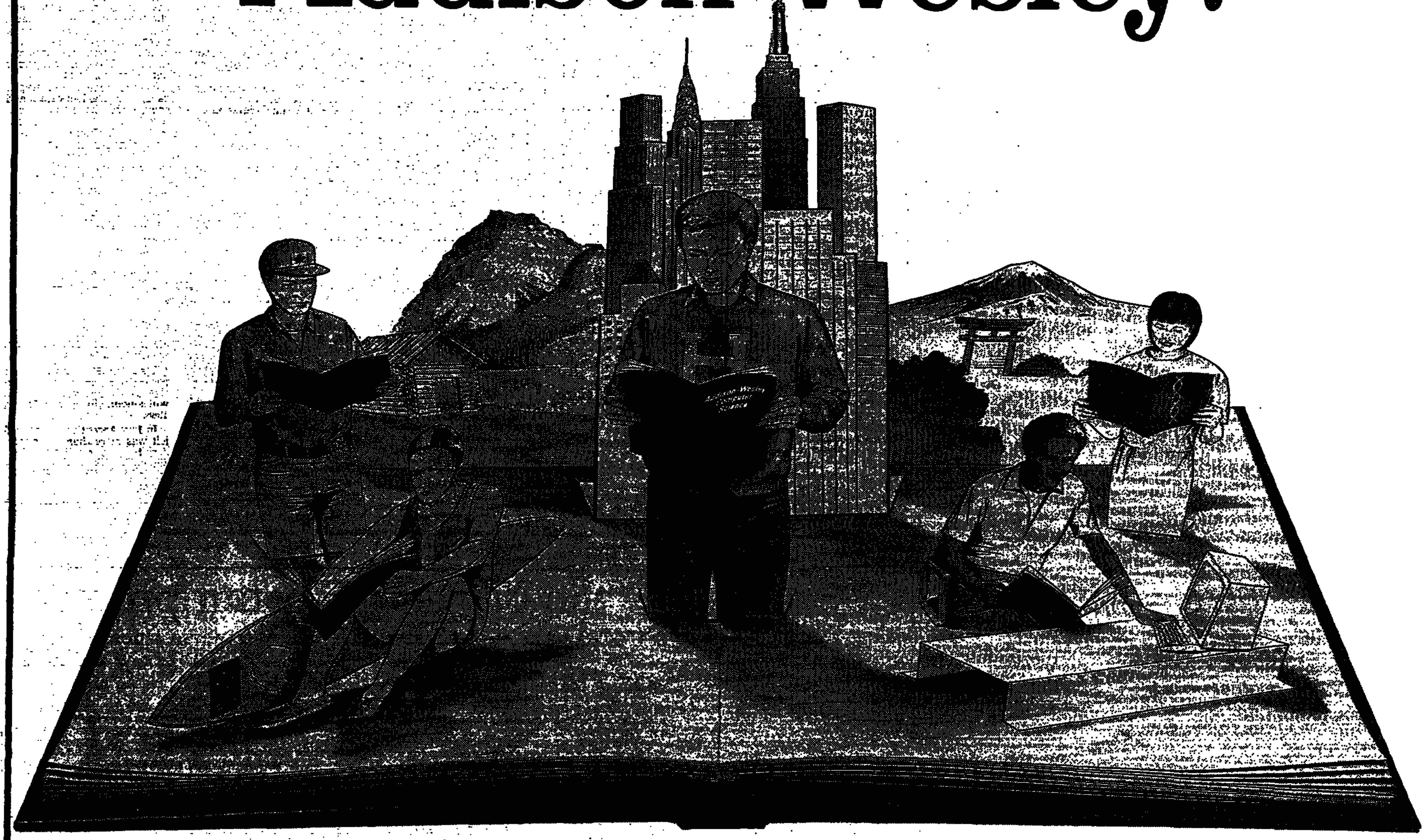
The scope for tax hikes is also extremely limited, although increased income taxes have been imposed by four provinces – including powerful and populous Ontario – so far this year.

Canada is currently in the middle of a tax reform programme which Finance Minister Michael Wilson has pledged will be revenue neutral. In addition, the main industrialised countries are vying to make their tax systems internationally competitive. In such circumstances, any Canadian move to raise personal and corporate tax burdens may prove self-defeating.

That leaves services. Certainly, some of Canada's civilised but costly social programmes will be vulnerable to pruning whoever holds the balance of power after the next election. So will defence spending – particularly if the Liberals or left-of-centre New Democratic Party (NDP) holds sway. In 1988/9, defence is expected to account for 43 per cent of all federal expenditure, excluding debt and transfer payments.

But even here there are problems. Reform of zealously-guarded social programmes is a notorious political minefield, in Canada, as the present Government discovered to its cost when it proposed de-indexing pensions in Mr Wilson's first budget.

What did Pearson open up when it bought Addison-Wesley?



A world of opportunity. And millions more readers.

The new Addison-Wesley-Longman Group combines two international publishers that interlock neatly.

Longman is strong in education, professional and reference publishing, and has a leading position in English language teaching around the world.

Its three most famous imprints are Ladybird, Pitman and Churchill Livingstone, the UK's largest medical publisher.

Addison-Wesley is one of the most international of USA-based publishers. It is a world leader in computer science teaching and complements Longman by having a strong presence in American English language teaching. Within the United States, it is one of the largest publishers of school and college books, as well as books for the retail trade, and has particular strengths in science and maths.

The group's total sales already exceed £250 million. And their combined markets cover the USA, Canada, Australasia, East Asia, Latin America, the Arab world, Africa and Europe.

With the integration of New American Library and Penguin in 1986, Pearson pioneered the strategy of forming international publishing groups.

It's all part of Pearson's strategy of developing our powerful businesses, capable of competing in global terms with quality products.

This latest acquisition should help us publish even better profits in the years to come.

PEARSON

CEASEFIRE IN THE GULF

Dogfight suggests UN faces uphill struggle

By Andrew Gowers, Middle East Editor

YESTERDAY'S dogfight between Iraqi and Iranian jets over the Gulf provided a graphic illustration of the difficulties facing Mr Javier Perez de Cuellar, the United Nations Secretary General, as he struggles to turn Iran's acceptance of UN ceasefire calls into a lasting peace.

Nonetheless, the Iranians so far seem intent on following through their decision to endorse UN Security Council resolution 598.

In a speech broadcast on Iranian television on Monday night, Hojatoleslam Ali Akbar Hashemi Rafsanjani, Iran's military chief, echoed the Security Council in spelling out the next steps, taking the initial paragraphs of the resolution in strict order:

1) A ceasefire (on a determined date) and withdrawal of forces to the internationally-recognised boundaries.

This should not pose much of a problem, since both Iranian and Iraqi troops are virtually back to square one in the conflict – although as Mr Rafsanjani pointed out, the Iraqis continue to occupy the Iranian town of Naftshahr and parts of mountainous northern Iran, while "in certain places we hold some of the Iraqi heights."

2) Dispatch of a UN team of observers to monitor compliance with the ceasefire and withdrawal. Mr Perez de Cuellar has already been deluged with offers of participation.

3) Exchange of prisoners of war. This operation – involving about 40,000 Iraqis held in Iran and 12,000 Iranians held in Iraq, according to the International Committee of the Red Cross – should also occur fairly smoothly.

At this point, the process becomes fuzzy at the edges. Iran attaches priority to the appointment of an independent commission of inquiry into the origins of the war.

It would expect such a body to pronounce its verdict relatively swiftly, in the light of its claim that the conflict sprang from an unprovoked aggression by Baghdad. Iraq, on the other hand, is likely to try to extend the proceedings with legalistic arguments about Iranian provocations.

The timetable and outcome of such a body's deliberations will clearly be crucial, and will pose a major test for UN diplomacy.

The issue of international aid for post-war reconstruction efforts will be similarly tricky. The Arab Gulf states which have helped to bankroll the Iraqi war effort are not as flush with cash as they were, and will be reluctant to give any impression of paying "blood money".

Finally, hanging over the whole peace process will be the question of a final settlement. Negotiations on this seem likely to focus on general declarations by the belligerents promising non-interference in each other's affairs and giving security guarantees.

At some stage, however, the troublesome issue of sovereignty over the Shatt al-Arab waterway – the disputed southern border which was one of the causes of the Iran-Iraq war – is bound to come up. The significance of the debate about the waterway, which constitutes Iraq's narrow access route to the Gulf, is more symbolic than strategic in view of Iraq's wholesale diversion of oil exports by pipeline across Turkey and Saudi Arabia.

But Baghdad may well claim what it asserts to be its traditional right of sovereignty over the entire waterway, placing the border on the Iranian shoreline. Iran, meanwhile, is unlikely to want to make further concessions and may insist that the border be drawn along the deepest channel of the Shatt as it was under the 1975 Algiers accord which Iraq tore up before invading Iran in 1980.

Clearly, the path to the fully-fledged peace and non-aggression agreement which Iraq wants is littered with hurdles. In the meantime, Iran says the conflict is "suspended until we see how the terms of the resolution (598) are implemented."

Low-key US overtures pay off

By Lionel Barber in Atlanta

IRAN'S acceptance of an unconditional ceasefire in its war with Iraq is the first step towards improved relations with the US and could herald an end to years of mutual hatred and distrust between Washington and Tehran.

If a truce holds, the US could begin to scale back its military commitment in the Gulf and to play a less exposed, more even-handed role in a region of vital interest to the superpowers.

Iran's acceptance of UN Security Council resolution 598 came after several months of behind-the-scenes attempts by the Reagan Administration to reach out to the Tehran regime, in an effort to reverse its tilt to Iraq and bring an end to the eight-year Gulf war.

The diplomatic overtures were deliberately low-key and complemented Iran's desire to end a no-win war.

Last March, Mr Richard Murphy, US Assistant Secretary of State, said Washington was not interested in maintaining a major presence in the Gulf. "We have told that to the Iranians and to the Soviets. . . both of whom have complained bitterly about our presence." The best way for the US to cut back its forces was to bring an end to the war, he said.

In a second important signal of US intentions after the US Navy's shooting down of an Iranian airliner over the Gulf, Mr George Shultz, Secretary of State, disclosed that Tehran had sent messages through third parties about resuming relations. But he said Washington was pressing for what he called "a single authoritative channel" for communication with Iran.

In a perverse way, the downing of the Iranian civil airliner may have hastened progress towards a ceasefire. Washington responded to the pragmatic noises emanating from Tehran with an offer of compensation and a strong statement by Vice-President George Bush at the UN condemning the use of chemical warfare – which the Iranians took as criticism of Iraq.

Iranian sentiments were further assuaged when Mr Bush refrained from calling for implementation of an arms embargo against Iran, said Mr Robert Hunter, a foreign policy adviser to Governor Michael Dukakis, the certain Democratic presidential nominee, and a senior fellow at the Centre for Strategic and International Studies in Washington.

Mr Hunter says that, from Washington's point of view, "there are no negatives" in Iran's acceptance of a ceasefire. As a start, Washington could begin to reassess its policy of arming moderate Gulf Arab states to the teeth against Iran – which has angered Israel and led to protests about the recent billion dollar arms sale to Kuwait, and big arms deals with Bahrain and Saudi Arabia.

Another more problematic subject is the fate of American hostages held by pro-Iranian guerrillas in Lebanon. Though the Administration has studiously avoided allowing the hostages to drive its Gulf policy, it seems likely the hostages are back into play.

Baghdad is still at war, says minister

BAGHDAD'S Foreign Minister Tareq Aziz said yesterday that Iraq would take a responsible stand towards peace, following Iran's announcement that it had accepted a Gulf war ceasefire, Reuter reports.

But he said Iraq still considered itself at war until practical steps were taken to ensure an enduring and comprehensive peace.

Iraq's official news agency INA quoted Mr Aziz on peace proposals shortly after a military spokesman reported the downing of two Iranian jets, one in a dogfight over the Gulf and the other on a raid over northern Iraq.

Mr Aziz said Baghdad regarded with caution Iran's announcement on Monday that it had accepted unconditionally the UN Security Council ceasefire Resolution 598, passed a year ago on Wednesday.

He said an Iranian High Command statement was "full of ideas" that stressed Iran's determination to mass its military potential and achieve its original war aims.

"Iraq will deal with this new Iranian stand in a high spirit of responsibility towards the peace issue,"

Mr Aziz noted the Tehran announcement followed by one day a speech by Iraq's President Saddam Hussein calling on Iran to end the eight-year-old war.

The minister said the UN must be aware of the "duplicity in Iran's positions and stress firmly the need for clarity in the Iranian position and on Iran's intent to implement the (ceasefire) resolution."

He said Iran's present stand might be a tactical move aimed at gaining time, or a deception to surprise, or prepare for further aggression.

"Iraq reserves its full right to adopt measures suitable to deal with these probabilities," Mr Aziz added.

"At present and until we make sure of Iran's intentions in reaching an enduring and comprehensive peace, and until tangible and practical steps are adopted in this direction in accordance with a clearly agreed programme, it is logical that we consider we are still at war."

The military spokesman, reporting on the continued air war, said one Iranian plane had been shot down in a dogfight about 20 miles south of the Faw peninsula. All Iraqi planes returned safely to base.

Praying for peace: Perez de Cuellar (centre), flanked by Saddam Hussein (left) and Rafsanjani

Iran leaders face power struggle

By Scheherazade Daneshku

THE IRANIAN leadership's acceptance of UN Security Council resolution 598 may bring to a head the struggle between radicals and pragmatists within the Iranian regime over their fundamentally different conceptions of Islam.

The first few years of the revolution were characterised by an Islam that was concerned with economic egalitarianism – helping the peasantry and eliminating the last vestiges of the Shah's Iran.

However, since 1982 another concept developed, that of Islam as the religion of blood. This period coincided with the terror at home, the human wave attacks in the war and the consolidation of Iranian influence in Lebanon, most notably under the influence of Iran's ambassador to Syria at the time, Hojatoleslam Ali-Akbar Mohtashemi, the present Interior Minister.

Although the influence of these radical groups has been weakened since 1985, most dramatically with the arrest and execution of Mr Mehei Hashemi, the head of the office set up to export the revolution, their conception of Islam has remained and has sat uneasily beside the pragmatic view, now embodied by Hojatoleslam Ali Akbar Hashemi Rafsanjani, parliament's speaker. Mr Mohtashemi is the most public radical by virtue of his position in government.

Others include Mr Hussein Sheikholeslam, Deputy Foreign Minister for the Middle East, and Mr Hadi Ghaffari, whose job is to oversee co-operation with the Hizbollah (Party of God) in Lebanon.

Most of the other radicals are not well known since their support for violent activity necessitates clandestine organisation. However, they are to be found within large sections of the Revolutionary Guards and in the office for export of the revolution, officially headed by Ayatollah Khomeini's successor, Ayatollah Hussein Ali Montazeri.

Since he was appointed acting military commander-in-chief, Mr Rafsanjani has for the first time made a clear public statement of the pragmatists' policy, which aims at a resumption of normal relations with Western powers.

The idea of Iran conforming to the established rules of the international system, once fervently denounced as dominated by the superpowers and therefore invalid, is anathema to the radicals.

Concentrating on economic reform is not an adequate substitute since many of the radicals, including Ayatollah Khomeini, have regarded the question of economics as a matter of little importance within their overall view of Islam.

The ceasefire acceptance can be seen not just as a slap in the face for the radicals but more fundamentally as a concerted move against their version of Islam. Undermining the ideology of the radicals means that there will be no room for them in the Islamic republic. If Mr Rafsanjani is to succeed in his pragmatic experiment, he will therefore have to eliminate the radicals from the political scene.

The radicals are under tremendous pressure. They do not have much room for manoeuvre since Ayatollah Khomeini is apparently backing Mr Rafsanjani and the ceasefire initiative. They are likely instead to wait until the spiritual leader dies before striking back.

Meanwhile, they will look for support to the ranks of demobilised volunteers returning from the front to question the gains of the revolution and an apparently fruitless eight-year war while facing a bleak economic situation in the cities. They will also find support among sections of the Revolutionary Guards whose power will diminish if peace is restored.

Mr Rafsanjani has said that Iran's acceptance of resolution 598 "will open a new chapter in our history". Taken with the normalisation of Iran's foreign relations, the move can be regarded as precisely that and not merely a matter of tactics. It signals the start of the final battle between the two conceptions of Islam. The post-Khomeini struggle has already begun.

Mitsui rules out petrochemical investment

By Ian Rodger in Tokyo

MITSUI, the leading Japanese trading company, yesterday ruled out any further investment in its disastrous Bandar Khomeini petrochemical project in southern Iran, despite the prospect of peace in the Gulf war.

But the company left the door slightly open for proceeding with the joint venture, Iran-Japan Petrochemical (IJPC), provided that all the money came from the Iranian side. "We will discuss the situation with our Iranian partner and the Japanese Government," a Mitsui official said.

The Japanese company's remarks about one of Iran's largest prestige projects illustrated the problems that Iran will face in any post-war reconstruction effort. The Bandar Khomeini project, begun in 1971, was dogged by huge cost overruns from its initial Y125bn (£560m) plan, and was stalled in 1980, when it was about 85 per cent completed, by the Iran-Iraq war. Mitsui and its partners have poured some Y600bn ($4.5bn) into the project to date.

Mitsui's position through most of the period was made more difficult by the delicate state of Japan-Iran relations. Japan relies heavily on oil from the Gulf and has attempted to maintain relations with both Iran and Iraq through the conflict.

However, Mitsui's patience ran out in November, 1986, when the project site was bombed by the Iraqi air force. This occured only a few months before expiry of the company's export insurance through the Ministry of International Trade and Industry, so a decision had to be taken on whether or not to abandon it. Last August, the company duly applied for compensation.

Since then Japanese companies involved in the project have taken huge write-offs in their accounts and in March, Mitsui said it had made provisions of Y125bn.

Technically it is by no means certain the project could be revived. The Iranian officials have not let anyone from Japan inspect the site, so the extent of the bomb damage is unknown.

OTHER OVERSEAS NEWS

Drought forces sharp fall in Indian reserves

By K K Sharma in New Delhi

INDIA'S foreign exchange reserves dropped sharply by Rs 19.5bn($1.4bn) in the first quarter of fiscal 1988-89 and stood at Rs 53.8bn in the beginning of July, according to figures released by the Reserve Bank of India.

The sharp fall, which is the highest ever in any quarter, shows the strain on the reserves of the worst drought in a century last year which forced the Government to import wheat and rice for the first time in a decade in addition to making substantial imports of other essential consumer items like cooking oil.

The current account deficit is thus expected to rise further despite the narrowing of the trade gap in 1987-88 by 11.8 cent to Rs 66.2bn, mainly because of a 25 per cent rise in exports. This means that the outflow on the non-trade account has increased significantly.

The reserves are now worth less than three months of imports and this is well below the danger mark. As of now, there are no signs that the Government will seek a fresh loan from the International Monetary Fund but officials are watching the current account deficit closely.

One reasons for the fall in the reserves, apart from the import of food and essential consumer items because of last year's drought, is that repayments of $5.2bn in loans taken out between 1981 and 1984 from the IMF are now peaking and a major instalment is due this year. IMF payments will pose a more serious problem in the rest of the year when another $645.8m are due.

The rupee has depreciated by more than 50 per cent against the world's major currencies in the past five years, increasing the burden of IMF repayments. The decline of the rupee is continuing.

Officials say there are no plans to change India's liberalised import policy, under which capital goods and technology imports have been allowed for industrial modernisation programmes for the last five years, since this will help to make Indian exports competitive.

Armed clashes in Sind

By Christina Lamb in Karachi

ARMED CLASHES have broken out between rival ethnic groups in Karachi and Hyderabad in the southern Pakistani province of Sind. The trouble began at the weekend after the mayor of Hyderabad, Mr Aftab Sheikh, was seriously injured in an ambush by masked gunmen.

Since then more then 15 people have died, troops are patrolling the streets and the city is under indefinite curfew.

Opposition leaders claim that the latest outbreak of ethnic violence was deliberately provoked by government agents to draw attention away from the uneasy political situation.

Hyderabad has only just recovered from earlier rioting in which at least 40 people died. When the news of the assassination attempt on the mayor reached Karachi, Pakistan's largest and most volatile city, crowds took to the streets, stoning cars, looting shops and setting fire to buses.

Five held in Sarawak under security act

By Wong Sulong in Kuala Lumpur

POLICE yesterday said they had detained five people, including a prominent newspaper executive, under the internal security act in the timber-rich east Malaysian state of Sarawak, in connection with a spate of arson in the state capital Kuching.

The police said the fires, which destroyed several government buildings, shops and a cinema, were designed to destabilise the state government and create unrest.

Among those detained was Haji Balia Munir, managing director of the Sarawak Tribune, the largest English daily in the state, who once served as political secretary to Tun Rahman Yakub, the former chief minister. The five were detained between June 23 and July 16.

Tun Rahman is uncle to Datuk Patinggi Taib Mahmud, the present Sarawak Chief Minister, but the two are now bitter political rivals because they clashed over the running of the state and the way in which lucrative timber concessions were distributed.

In March last year, the Tun Rahman faction succeeded in getting 28 of the 48 Sarawak state assemblymen to defect, but Mr Taib outmanoeuvered the group by calling a snap election in which his party was returned with 28 seats. Since then, Mr Taib has consolidated his position.

In Kuala Lumpur, the Supreme Court yesterday overturned a high court decision to grant habeas corpus to Mr Karpal Singh, a detained opposition member of parliament and prominent human rights lawyer, who was among 120 arrested during last October's government crackdown.

China breaks the back of Tibetan protests

Robert Thomson reports from Lhasa in the first visit by foreign media since March

WITH a mix of public displays of police and military strength and apparent concessions to Tibetan monks, the Chinese Government has broken the momentum of pro-independence protests that have troubled the Tibetan capital of Lhasa since late last year.

The city has been relatively quiet since a small demonstration by monks on June 1, but rumours are spreading of a fresh police crackdown against alleged criminals, petty and political, following the public trial of about 20 offenders in front of the sacred Jokhang Temple three days ago.

Witnesses said the alleged criminals, most charged with minor offences such as theft and assault, were driven around the city in motorcycle sidecars and on the back of an open truck in a show of police force. To complete the intimidation, loudspeakers broadcast details of the crimes and heavily armed police guarded those charged.

Meanwhile, about another 20 monks have been released from custody in recent days following the release of 52 monks early last week. The monks were alleged to have attacked police, burned vehicles and damaged shops during a pro-independence protest around the Jokhang Temple in March and have been freed because they "repented".

Tibet government officials said about 200 people were detained after the March protest, though no details of charges against them have been published. Fifteen, including four Buddhist monks, have been detained since the protest last October.

A small group of foreign journalists have accompanied Mr Bill Hayden, the Australian Foreign Minister, in the first approved visit by a senior foreign government official and foreign media since the March protest. Mr Hayden, who arrived on Monday, raised religious freedom and human rights issues in discussions with senior government and Communist Party officials.

In a meeting with Mr Hayden, Tibet officials denied allegations that prisoners were beaten, but a Tibetan who said he was one of those just released claimed prisoners were routinely beaten before interrogation.

He said several monks were so badly beaten in one session that they were unable to undress themselves. Prison guards told him: "We must beat you to get the truth from you."

The Tibetan said he saw several monks undergoing "Chinese rope torture", in which the prisoner is suspended from a beam, and that sticks, belts and electric prods were used in the beatings. He was given three intense sessions of political re-education and released after saying that he had only joined the protest at the urging of people around him at the Jokhang Temple.

Few Tibetans appeared to be aware of the Dalai Lama's landmark speech on Tibet last month in Strasbourg

Tibet officials said public trials would be held in coming weeks of those still in custody.

Mr Hayden believes that the release of 52 prisoners last week is linked to his presence in the region and followed lengthy discussions on Tibet with senior officials in Peking last week. However, another 40 or so monks are still thought to be in custody and an unknown number of other Tibetans have been held since the March protest, in which 300 police were injured and one was killed. No civilian casualty figures have been released.

While police said last week that the 52 released monks were kept in a leafy compound and spent their time studying the Chinese constitution, several monks yesterday claimed that numerous prisoners had been beaten and one said that a close friend had been taken to hospital after a brutal interrogation.

Three monks on a pilgrimage to Lhasa from the far north of the autonomous region, as Tibet is known, said that they had heard of and supported the protests, and had discussed the possibility of protesting with other monks from their area, but had no definite plans for a demonstration.

Tension has eased since March and the markets around the Jokhang were busier yesterday than during visits by this correspondent to Lhasa in October last year and February, shortly before the March 5 protest. Foreign tourist groups are permitted to visit, although individuals are still banned, and apart from Mr Hayden's press party journalists are routinely refused admission.

But monks interviewed yesterday agreed that protests of some kind were inevitable, though they emphasised that the present tight control of monasteries and fears of a tough response to another demonstration had affected the monks' enthusiasm.

Few Tibetans appeared to be aware of the Dalai Lama's landmark speech on Tibet last month in Strasbourg, when he recognised the Chinese right to handle Tibet's foreign policy and to maintain troops there, though with the long-term aim of demilitarising the region. There has been no local media coverage of the proposals, nor of the unsympathetic response by Peking.

Soaring inflation may delay Chinese price reform

By Colina MacDougall

INFLATION in China is now at its highest level since 1949, and is likely to rise further before the end of the year. The Chinese leadership, fearing social unrest and always mindful of the fall of the Nationalist government in the late 1940s as a result of inflation, is likely to postpone important price reforms until next year.

Prices rose by 13 per cent in the first half of this year, the State Statistical Bureau said yesterday, while in June alone they went up by 19 per cent. The true inflation figure may well be much higher as published statistics are normally conservative.

Government anxiety over possible worker discontent led to increased subsidies to the urban population in the spring, but the public remains extremely concerned. At the end of June panic buying affected a number of cities where rumours of total price decontrols had begun to circulate.

The Chinese leadership recognised the seriousness of the inflation problem at a special meeting of the Politbureau in June. The Hong Kong communist-oriented newspaper Wen Wei Po commented at the time: "This was a mobilisation meeting," and added: "To put it bluntly, people are not in a calm and unruffled mood."

The postponement of price reforms may temporarily ease inflation, but these will be essential in future to bring discipline into the market. The key to reform in China is to overhaul the socialist price system, Peking economists said earlier this week.

"If a product is scarce, its price should be high, but in China it is the opposite," said one. "The goods that are most scarce, like coal, oil and raw materials, are the cheapest." Most Chinese prices were fixed in the 1950s.

China is currently working on a plan to overhaul all prices over a three-year to five-year period, Vice-Premier Tian Jiyun said last Saturday. But officials say this plan cannot be implemented unless prices are stabilised first, and this will have to begin with basics like the cost of steel.

Inflation has caused serious disruption in industry because of the rise in prices of industrial raw materials. The manager of a rubber factory in Chongqing complained earlier this month: "The prices of rubber are soaring but we are not allowed to raise the prices of our rubber conveyor belts."

Raw materials prices shoot up because of profiteering by middlemen. The price of a ton of aluminium ingots can increase by 25 per cent after going through the hands of half a dozen or more traders, the official Xinhua news agency pointed out.

This tendency is encouraged by China's "two-track" price system where speculators can buy at controlled official prices and resell on the free market to desperate factory managers.

Peking's continuing inability to control the economy is an important cause of inflation. GNP rose in the first half year by 11 per cent, instead of the planned 7.5 per cent and industrial output at 17 per cent instead of the planned 8 per cent.

UK NEWS

Nuclear industry told technology must advance at less cost

Case for fast reactor rejected

By David Fishlock, Science Editor

THE GOVERNMENT has rejected the nuclear industry's case for building a big European demonstration fast reactor during the 1990s.

An Energy Department review of Britain's £100m-a-year fast reactor research and development programme has found no economic justification for launching a major new project which would cost Britain about £800m over the next 15 years.

The Government wants Britain to keep the technology advancing at less cost, and with less emphasis on reactor engineering, until another review in the 1990s.

It has concluded that the fast reactor is a sound technical solution to a problem which has receded, at least for Europe.

The conclusions and their political implications – especially for Scotland – have been discussed at Cabinet level and are about to be published.

They have serious consequences for the future of the £400m-a-year UK Atomic Energy Authority and its Dounreay establishment employing 2,300 in the far north of Scotland, for the National Nuclear Corporation in Cheshire, and for the European fast reactor "club".

Britain joined this club in 1984, under an inter-governmental agreement, to pool research and development with France, West Germany, Italy, Belgium and the Netherlands.

Under this agreement the NNC co-ordinates design for major features of the reactor such as core mechanics and fuel.

Britain's defection is unlikely to have any immediate impact on the club because its main members – France and West Germany – are having political difficulties with their own projects. More than half of Britain's fast reactor budget is spent at Dounreay, which now faces a major cut in govenment spending in the early-1990s.

The fast reactor review was prompted by criticism from the government's scientific advisers in the Cabinet Office, led by Mr John Fairclough, chief scientific adviser, who are examining major areas of public sector expenditure on R and D.

Their annual review of Britain's R and D will be published next week.

They identified fast reactor R and D as a technology. already at an advanced stage of demonstration as an electricity generation system, and argued that its cost should now be borne by the prospective customer – the electricity supply industry – and not by the Government's R and D budget.

But the electricity industry has said its long-range forecasts of fuel prices suggest it may not need to order a series of commercial fast reactors for a further 30 years.

The primary attraction of the fast reactor is its ability to conserve uranium, once believed to be a scarce commodity.

The authority has argued for a European pact to build a major demonstrator, several times the size of its Dounreay prototype, costing about £2bn, to a design agreed by the European Fast Reactor Utilities Group (Efrug).

The timetable proposed was to agree a design and a site by 1991-93, for a start to construction about 1995.

The Energy Department review considered two other options. One, which it also rejected, was to abandon the British R and D programme and leave the electricity industry to licence the technology when it was ready,

The option which the government favours, is to maintain a British technology base – particularly fuel development – but cut back on reactor engineering and design, and on any involvement in a prospective European demonstrator at this time.

It believes any such demonstrator would be at least 20 per cent more expensive to build than a Sizewell B-type pressurised water reactor of similar output, and fuel costs would be about the same as for the PWR.

British Sugar fined for market abuse

By Tim Dickson in Brussels

THE EUROPEAN Commission yesterday imposed a fine of Ecu3m (£1.98m) on British Sugar, the UK's monopoly sugar beet producer, for abusing its dominant market position. But the company, which is part of S and W Berisford, appears to have been let off lightly by the Brussels authorities because it owned up to the offence and its behaviour since has been "exemplary."

The case goes back to 1985 when Napier Brown and Company, a UK sugar merchant, made the complaint against British Sugar, which controls about 58 per cent of the British market for granulated sugar.

The Commission said that British Sugar had used its dominant position up to August 1986 in ways which were mostly aimed at removing Napier Brown from the market.

These included "constructively refusing" to supply Napier Brown with industrial sugar, part of which the company needed for its retail repackaging operations; reducing its prices for retail sugar to the extent that an insufficient margin existed between its prices for retail and industrial sugar, thus making it impossible for Napier Brown to make a profit on retailing; and discriminating against Napier Brown by refusing to supply it exclusively beet origin sugar

Soviet inspectors get the measure of cruise site

By Lynton McLain

THE FIRST SOVIET delegation to inspect US cruise missiles based in the UK arrived early at RAF Greenham Common air base, 50 miles west of London yesterday – armed with tape measures.

The two 10-strong inspection teams also had weighing equipment and other paraphernalia needed to see if the cruise missiles at Greenham were accurately described by the US in the recent treaty abolishing the weapons, in length, breadth, width and the other vital statistics of nuclear hardware.

What the Soviets would not see would be nuclear warheads. The intermediate nuclear forces (INF) treaty calls for the eventual destruction of missiles and launchers but leaves the warheads untouched.

The physical inspection, which did not start yesterday as the Russians rested after going through customs and immigration control, is part of a 60-day period for "baseline" visits to determine the accuracy of data exchanged by the US and the Soviet Union as part of the intermediate nuclear forces (INF) treaty. The treaty was at the centre of the recent summit meetings between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

The baseline period began on July 1 and the Soviets have already visited the US and sites in West Germany.

The Soviet inspection team led by Mr Vysacheslav Lebedev arrived by an Aeroflot IL62 aircraft at 1.00pm. This was 19 hours after the UK and US had been informed by the Soviet Union that a team was on its way. Under the treaty, inspectors have to give at least 16 hours notice of a proposed visit.

At 7am this morning the teams will declare what it is they want to inspect. They then have nine hours to reach the site. They are already at Greenham but they are likely to also want to visit the second cruise missile base at Molesworth, Cambridgeshire.

The inspections are expected to last less than 24 hours, but this can be extended by eight hours. The teams then have four hours to write their report, under exam-like conditions. They then must return to their point of entry and leave in 24 hours.

The inspectors were greeted by Wing Commander Stan Keyte, the RAF station commander, and Colonel Bob Riddick, the senior USAF officer.

Mr Lebedev promised his teams would stick "strictly by the spirit and letter" of the INF treaty in their inspections. "It marks the beginning of an unprecedented stage in the history of mankind," he said.

"It is the implementation towards the elimination of two, types of nuclear missiles which is the best way towards making our lives safer and happier because war and happiness are incompatible."

"We greet the hospitable people of Great Britain and wish them happiness", he said. "We highly appreciate the contribution and support of Great Britain and other European nations which has made the INF treaty possible."

Three firms suspended by City watchdog

By Richard Waters

THREE firms of financial intermediaries were suspended yesterday by Fimbra, the Financial Intermediaries, Managers and Brokers Regulatory Association, bringing to seven the number of firms against which the body has taken public action since the Financial Services Act came into force.

All three -London & Sussex Securities of London, Chris McHugh of Stroud and Christian von Conzendorff-Mattner of Torquay -were suspended under rule 17 of Fimbra's rule book. This is only used when "serious breaches of the rules" have occurred, said a spokesman, although he declined to give details.

Fimbra said none of the latest suspensions had anything to do with Barlow Clowes, the defunct investment group. But two former London & Sussex shareholders, Mr David Gray and Mr David Myers, were behind Investment and Pensions Advisory Service, a firm whose clients put millions of pounds into Barlow Clowes. IPAS has been suspended by Fimbra.

"Mr Gray and Mr Myers had nothing at all to do with the management of our business," Mr Matthew Barker, a London & Sussex director, said.

The suspension of London & Sussex is a knock-on from action taken last week by the Securities and Investments Board to close the firm's parent, CSTC.

That firm took over London & Sussex in May.

European air traffic 'hotline' planned to beat flight delays

By Michael Donne, Aerospace Correspondent

LONDON air traffic controllers could be linked by a new "hotline" with those in Frankfurt and Madrid before the end of this week under plans unveiled yesterday designed to cut the airport delays faced by holidaymakers.

Plans for the intra-European air traffic control link were made public yesterday by Mr Christopher Tugendhat, chairman of the Civil Aviation Authority, the body which regulates the UK skies for commercial flights.

The lack of swift communications between controllers has contributed to recent flight delays, with controllers at present relying on busy telephone lines to speak to each other.

The hotline will enable controllers to speak to each other directly, thus speeding up the allocation of slots for specific flights across Europe.

The UK was ready to start using the new system, but had to wait until other European centres were ready, Mr Tugendhat said. Equipment was installed at West Drayton air traffic control centre outside London and had been flown to control centres in Frankfurt and Madrid.

Tugendhat: reappraisal

Lines to these two centres are expected to be working by the end of this week. Others centres would follow as soon they are equipped.

Mr Tugendhat also suggested that there should be a wholesale reappraisal of the way charter airlines operate in the light of the recent delays.

Part of the problem last weekend at Gatwick Airport, south of London, had been that some charter airlines operating on tight margins and with a small fleet had been unable to take the available take-off slots because their aircraft were still stranded overseas.

The system could have coped, however, had it not been for the industrial disputes which have plagued Western European air traffic control systems this spring and early summer, said the CAA chairman.

The most serious delays had occurred only on holiday charter flights to some Mediterranean destinations, with most other flights leaving on time or with less severe delays.

Reports yesterday indicated that the worst of the delays at UK airports had eased, with flight schedules mostly back to normal.

Mr Tugendhat said that the system remained at the mercy of unforeseen events such as technical difficulties with individual aircraft, renewed industrial action by air traffic controllers, or difficulties in communications. He said any combination of these could contribute to further delays.

Water chiefs form joint body

By Richard Evans

LEADERS of the 10 water authorities in England and Wales are to react to Government criticism of their lack of co-ordination by forming a negotiating team on privatisation.

The Water Authorities Association has been warned by Mr Patrick Brown, the civil servant in charge of water privatisation at the Environment Department, of the need for a coherent approach if privatisation is to take place on schedule by the end of next year.

"A more organised approach is now necessary; perhaps we have been a little lax," one chairman said yesterday.

The WAA council, comprising the chairmen of all 10 authorities in England and Wales, is expected to decide today on the formation of a negotiating team with a full-time executive chairman, together with a steering group of chairmen to direct overall strategy.

Although the industry's basic structure after privatisation has been decided, with the proposed formation of the National Rivers Authority to regulate the industry, a mass of crucial detail still needs to be negotiated against a tight deadline.

The privatisation bill must be ready for the opening of a new session of Parliament in November if it is to complete its passage on schedule.

Industry negotiators have so far seen drafts of one third of the legislation.

Health bill clauses voted down by Lords

By John Mason

THE Government suffered two defeats at the hands of its own members yesterday when the Lords voted down proposals to introduce charges for eye tests and dental check-ups.

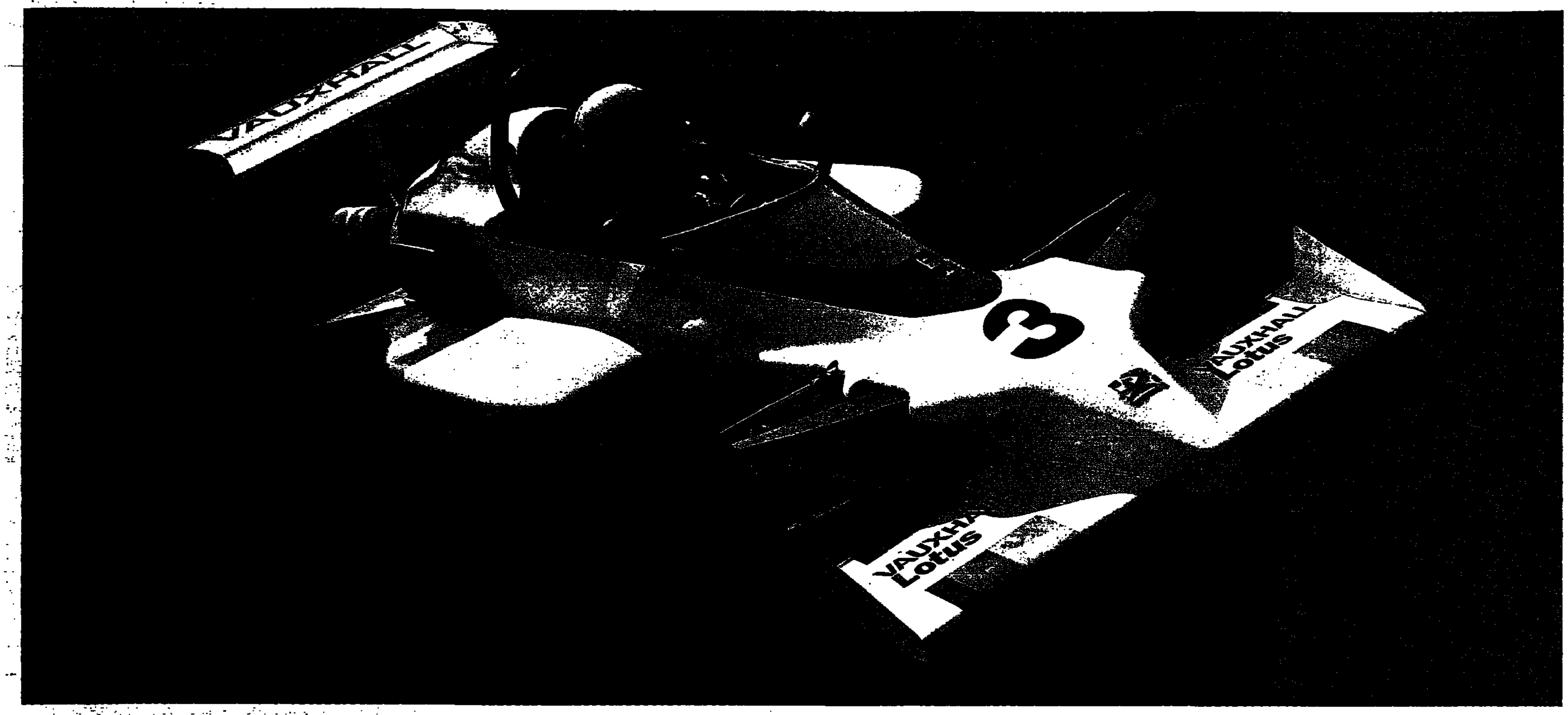
The new charges -the most controversial proposals in the Health and Medicines Bill - were thrown out by majorities of 26 (120-94) and 21 (118-97).

Mr John Moore, the Social Services Secretary, is likely to try and reverse the defeats when the bill returns to the House of Commons.

However, such a move would not be easy because the issue led to a big rebellion by Conservative MPs during the bill's earlier stages.

The proposed charges would be about £3 for dental check-ups and about £10 for eye tests, both of which are now free. The Government expects the charges to raise about £155m a year, to be spent on improving primary health care.

But during the committee stage debate some Tory Lords objected that the charges would deter people from having regular examinations.



THE NEW 16 VALVE ASTRA GTE. (AROUND TOWN WE RECOMMEND THE 4 SEATER VERSION.)

The car you see above is a powerful animal.

It was developed by Vauxhall and validated by Lotus, to race in the newly-formed Vauxhall-Lotus Challenge.

It can accelerate from 0-60 in a little over 4 seconds. And on full throttle, it's capable of a breathtaking 161mph.

The immense power comes from a completely new 16 valve 2.0 litre engine.

The same engine, in fact, that powers the car you see below. The new 16 valve Astra GTE.

The GTE is, of course, more refined than its racing cousin. A roof, two doors, four seats, stereo.

But have we sacrificed performance for comfort?

Hardly. Sequential fuel injection will rocket you from 0-60 in just 7.6 seconds. Put your foot down and its 156hp could pull you along at 137mph.

True, up against its racing stablemate it would almost certainly come second.

But in the eyes of Car magazine, it's an outright winner.

They describe its acceleration as 'amazing.' And its engine, they say, is 'the most eager you'll encounter this side of a Porsche.'

High praise indeed.

For the road, we've also worked on the Astra's handling ability.

We've given it a new 5-speed close-ratio gearbox to make slick gear changes even slicker.

We've improved braking by adding solid rear disc brakes to the ventilated front discs we have already.

And we've modified the chassis for even better stability on all road surfaces.

However, you'll only appreciate these differences when you get behind the wheel.

To look at, the GTE is as elegant as ever.

You may well spot the discreet 16 valve badges on the rear tailgate and front airdam. And a closer look might reveal the twin rectangular exhaust pipes.

But the real beauty in this beast lies beneath the bonnet.

The new 16 valve Astra GTE. £11,776. For further information, call 0800 400 493.

THE 16 VALVE ASTRA GTE.

VAUXHALL. ONCE DRIVEN, FOREVER SMITTEN.

VAUXHALL IS BACKED BY THE WORLDWIDE RESOURCES OF GENERAL MOTORS. CAR SHOWN: ASTRA 16V GTE, PRICE £11,776 INCLUDES CAR TAX AND VAT, BUT EXCLUDES DELIVERY AND NUMBER PLATES. PRICE CORRECT AT TIME OF GOING TO PRESS. PERFORMANCE FIGURES AND QUOTES FOR THE ASTRA 16V GTE FROM "CAR" MAGAZINE MAY EDITION. ALL OTHER FIGURES MANUFACTURER'S DATA.

UK NEWS

King unveils aid for violence-torn areas of Belfast

By Kieran Cooke in Belfast

THE Government yesterday announced a long-awaited aid package for areas of Belfast which have seen some of the worst terrorist violence in Northern Ireland.

Mr Tom King, the Northern Ireland Secretary, said that additional expenditure of £10m would be provided at first to cope with problems of unemployment and deprivation, particularly in the predominantly Catholic area of West Belfast.

The aid programme, called Making Belfast Work, provides additional funds for setting up small businesses, more job training schemes and environmental improvements.

Northern Ireland's unemployment rate of more than 17 per cent is the highest in Britain. More than 70 per cent of the workforce are without jobs in some parts of West Belfast.

Mr King said that the programme was only a start and that much depended on a positive response from community leaders and local people in business and politics. "Merely throwing money at problems does not always work," said Mr King. "We cannot go out and just buy jobs."

Mr King said local support was essential if "the blight of terrorism" was to be defeated. "That will do most to bring back confidence, jobs, self esteem and opportunities."

The Irish Government has consistently lobbied for improvements in conditions in West Belfast at meetings of the Anglo Irish conference.

The programme met a mixed reaction. A member of the mainly Catholic Social Democratic and Labour Party expressed disappointment at the proposed level of expenditure. Sinn Fein, the IRA's political wing which is politically influential in West Belfast, called the programme a sham and a cosmetic exercise.

Meanwhile, concern is widespread concern in Belfast over the Government's likely announcment later this week of its intention to sell all or part of Shorts, the state-owned Belfast aerospace company. It now seems likely that the three divisions of Shorts - aircraft, aerostructure and missiles - will be dealt with separately. The aircraft division is likely to close, costing more than 2,000 jobs.

A musical idyll through the rain and gritted teeth

David Lascelles opens a series on summer businesses with a look at concerts on Hampstead Heath

IT SEEMS right to begin a series on summer businesses in Britain with one which is at the mercy of a force greater than any market, namely the weather.

Not that the open air summer concerts at the Kenwood lakeside in London's Hamstead Heath are strictly a business. Their organiser, English Heritage, lays them on (at a loss) as part of its mission of cultural enrichment for a nation which likes to take its music in pleasant surroundings. But judging by the speed with which the Kenwood clientele's taste for well-stocked picnic hampers is catching up with its taste for music, (and EH's readiness to cater to both) Mammon's prayers for clear Saturday skies over Hampstead Heath are now as loud as St. Cecilia's.

Their combined libations are not, alas, enormously successful. The weather for the last three summers was dreadful, and it was not until the third concert this year that the event was warmed by the setting sun. It is three years since a concert actually had to be abandoned, which is just as well because EH says rain insurance is too expensive.

"Being British, we grit our teeth and press on regardless," says Mr Jonathan Griffin, the marketing director. Indeed, this year's souvenir programme carries an implicit health warning on page eight in the form a photograph of the audience on a bad evening: the smiles poking through the anorak hoods and scarves can only be described as brave.

The photograph suggests, of course, that many people do actually visit Kenwood to hear the music, which is encouraging. But that is not really what Kenwood is for. We happen to live within earshot of the concert bowl, so we are in the advantageous position of being able to decide at the last moment whether to attend or not. And we have a simple policy: if the weather is fine we go, regardless of what is on the programme.

On a good evening, Kenwood is a sort of picknickers' Glyndebourne: the lake, surrounding trees and Adam facade of Kenwood House in the distance are enchanting: the darkening sky, the twinkling stars, the seclusion from London's hubbub ... it can transport you, if not to a different world, at least out of the immediate confines of London NW3.

EH manages to present some varied fare, not all of it classical by any means. There are jazz evenings and celebrations of events like the Fourth of July. This year's programme ranges from the Philharmonia Orchestra conducted by Mr Edward Heath, the former Tory prime minister, to the Grimethorpe Colliery Band. But while the music instills a sense of well-being and adds a certain tone to what might otherwise be a rather bibulous occasion, it seldom does more than provide the soundtrack to the idyll.


Rain didn't stop play: the Kenwood bowl across a sea of brollies

The gallant performers who scrape, bang and blow in their giant sea shell-like stand on the far side of the lake struggle against enormous odds, despite the amplifiers which carry their efforts across to the assembled multitudes.

They must do battle with chirping birds, popping champagne corks and clinking cutlery, and often they lose. Their defeat is assured on the most popular nights when concerts close with firework displays which can be seen across London. But no one goes to Kenwood to hear the definitive rendition of Beethoven's Eroica Symphony, even under the distinguished baton of a former prime minister.

Despite the weather's efforts to hurl all that is coldest and wettest onto Kenwood, it is an unquestioned success. People flock to it, even though it is enormously difficult to get to except by car. Last year, 72,000 came to spread out their rugs, an average of over 5,000 for each of the 14 concerts in the series - 10,000 for the popular ones.

Kenwood regulars inevitably fear that its popularity is pushing it downhill. The ostentatious picknickers and the tourists have changed the character of something which was a bit special. And English Heritage has been accused of discreetly commercialising the events since it took over three years ago. Tee shirts and mementoes are advertised over the loudspeakers. Catering tents proliferate.

For many, the new tone was exemplified by EH's announcement earlier this summer of a plan for corporate marquees where companies could entertain business guests to a high class evening of dinner and music at £95 a head. This provoked the formidable Mrs Peggy Jay and her Heath and Old Hampstead Society into a storm of protest. The Hampstead and Highgate Express, staunch defender of the Heath, denounced it as "show business and vulgar show business at that."

However, the Kenwood concerts lose about £100,000 a year, and something has to be done to narrow this gap. EH's policy is to boost revenues rather than reduce the quality of the music and the fireworks. Apart from the sales tents and the marquees, EH has pushed up revenues by charging more for deck chairs. It has also found sponsors for individual concerts, though it would prefer some big corporate philanthropist to take care of the whole season.

However, there is no immediate prospect of Kenwood turning in a profit, and like so many worthwhile ventures which hover below the line of financial viability, it is prey to conflicting pressures.

Telephone 'chatline' services investigated

By Hugo Dixon

THE Monopolies and Mergers Commission is to investigate the provision of telephone "chatline" and message services, after a reference by the Office of Telecommunications (Oftel), the industry's regulator.

Chatline services allow people to dial into a line on which several may hold a conversation at once. They have been criticised because the owners of the telephones are often faced with large unexpected bills, particularly if teenagers - towards whom such services are often directed - use the lines without telling their parents.

There have also been complaints that the services have been made to arrange dates between strangers.

Message services include weather reports, interactive games and pornographic recordings. They have been criticised both for their cost and their content.

The reference is the first that Oftel has ever made to the Monopolies Commission. Oftel normally implements its goals by persuading telephone operators, principally British Telecom, to change their behaviour voluntarily.

However BT was unable to comply this time because it had signed contracts allowing the providers of these services to use its lines. BT stopped its own chatline service, Talkabout, earlier this year after a spate of adverse publicity and pressure from Oftel.

Oftel is proposing to the MMC that chatline services be provided only to customers who explicitly request them.

In this way it hopes to avoid the problem of teenagers running up large bills without their parents' knowledge.

Professor Bryan Carsberg, Director-General of Telecommunications, said he realised that such a restriction was likely to make chatline services uncommercial.

On message services, Professor Carsberg has asked the MMC to examine whether a distinction could be made between entertainment services, such as pornography, and information services, such as stock market prices.

Entertainment services might then be treated in the same way as chatline services.

Professor Carsberg said that, in his view, most of the pornographic messages were "silly rather than offensive." Even so, ICSTIS, the committee responsible for handling complaints, is to begin random monitoring of the messages later this year.

ICSTIS has already forced Communications and Media, a company which offered a service called "Nina the nurse", to suspend all its services.

Professor Carsberg said he thought there were fewer than 100 companies providing chatline and message services.

He said that they provided British Telecom with tens of millions of pounds of revenue each year for the use of its lines.

BT said it regarded message services as an important development for its customers and would be interested in the MMC's deliberations. The MMC has six months to report.

Oftel is undertaking a separate investigation to decide whether or not the charges for message services, which cost a standard 38p a minute, are excessive.

FT LAW REPORTS

Shipowners win appeal against disclosure of documents

THE EVPO AGNIC
Court of Appeal (Lord Donaldson, Master of the Rolls, Lord Justice Butler-Sloss and Sir Roualeyn Cumming-Bruce): July 14 1988

THE "OWNER" of a registered ship for the purpose of ascertaining who would be liable on a claim for loss of cargo on that ship, is the registered and not the beneficial owner; and accordingly, where a ship in different registered ownership is sued and arrested in respect of that claim and there is no indication that the registrations are shams, the court will not order disclosure of documents which might reveal identical beneficial ownership, but will set aside the writ and arrest for lack of jurisdiction.

The Court of Appeal so held when allowing an appeal by the defendant owners of arrested ship, Evpo Agnic, from Mr Justice Sheen's order that they should disclose all documents relating to her ownership.

The order was made in the course of an application by the defendants to set aside the writ issued by the plaintiffs and to set aside the warrant for arrest.

LORD DONALDSON said that the plaintiffs claimed to be owners of cargo laden on board the Skipper 1, which sank in 1987. They issued a writ against the owners of Evpo Agnic and applied for a warrant for her arrest.

The plaintiff's solicitors gave affidavit evidence which led to issue of the warrant and the arrest of Evpo Agnic.

It stated that the Skipper 1 was owned by Skipper Shipping Co SA of Panama, and was managed by Pothitos Shipping Co SA of Panama. The president/ director of Skipper Shipping was a Mr Evangelos Pothitos.

The Evpo Agnic was owned by Agnic Shipping SA of Panama and, although *prima facie* the Skipper 1 and Evpo Agnic were owned by separate one-ship ship-owning companies, it was clear on lifting the veil of incorporation that the shareholders of each company were the same, and their president/directors and vice-president/directors were also the same.

The affidavit submitted that the court should lift the corporate veil in order to determine that "the relevant person" who would be liable on an action *in personam*, was also the beneficial owner of all the shares in the Evpo Agnic.

The warrant was issued on February 18 1988, and Evpo Agnic was arrested in Cardiff the following day.

On February 23 Mr Justice Sheen heard an application by the defendants to set aside the writ and the warrant for arrest. He ordered them to disclose all documents relating to ownership of Skipper 1 and Evpo Agnic, and he adjourned further consideration of the application until after such disclosure. He gave leave to appeal.

The power of arrest of a ship was contained in section 21 of the Supreme Court Act 1981. The forerunner of section 21 was to be found in Part 1 of the Administration of Justice Act 1956, the purpose of which was to bring the right of arrest *in rem* in English courts into conformity with the International Convention relating to the Arrest of Seagoing Ships, signed on behalf of the UK in 1952.

Article 3(1) of the Convention provided that a claimant might arrest either "the particular ship" in respect of which the claim arose, or any other ship owned by the person who was, when the claim arose, owner of the particular ship.

Article 3(2) provided that "ships shall be deemed to be in the same ownership when all the shares therein are owned by the same person or persons".

Section 21 (4)(b) of the Act provided that on a claim for loss of goods carried in a ship, where the person who would be liable in an action *in personam* ("the relevant person") was, when the cause of action arose, "the owner" or charterer of, or was in possession or control of, the ship, an action *in rem* might be brought against "(i)that ship, if...the relevant person is either the beneficial owner of that ship as respects all the shares in it" or the demise charterer, or against "(ii)any other ship of which...the relevant person is the beneficial owner as respects all the shares in it".

It was common ground that the "particular ship" in Convention terminology was the Skipper 1. The first issue therefore was as to who was "the relevant person" for the purpose of section 21(4)(b).

Such a person had to meet two criteria. First, he must be the person who would be liable on a claim *in personam*. Second, he must, when the cause of action arose, have been the owner or charterer, or in possession or control of the ship. The question was whether "owner" referred to the registered owner who necessarily was the legal owner, or to someone who had only an equitable property in the ship.

In answering that question, there were three important considerations.

First, it was basic rule of construction that where a statute employed different terminology in different provisions, *prima facie* a different meaning was intended. "Owner" in paragraph (b) thus fell to be contrasted with "beneficial owner" in sub-paragraphs(i)and (ii).

Second, all maritime nations maintained shipping registers which recorded the names of owners.

Those were of fundamental importance as establishing the vessel's flag. The concept of a registered owner being a nominal owner was therefore a contradiction.

Third, the Convention clearly looked to ownership and registered ownership as one and the same.

Accordingly, in relation to a registered ship, "owner" in section 21(4)(b) meant "registered owner".

Mr Rokison for the plaintiffs submitted that could not be right because, if it were, even the particular ship could not be arrested if it could be shown that the registered owner was not the beneficial owner of all the shares in the ship.

If that was so, it was an understandable *casus omissus* because, in real commercial life registered owners were not bare legal owners.

They were both legal and beneficial owners of all the shares in the ship. Any division between legal and equitable interest occurred in relation to the registered owner itself, which was almost always a juridical person.

The legal property in its shares might well be held by one person and the equitable property by another, but that did not affect the ownership of the ship or the shares in that ship. They were the legal and equitable property of the company.

Skipper Shipping was therefore "the relevant person". Noone had suggested that it was not the employer of the master and crew and the contractual carrier of the cargo.

The plaintiffs' real case was that Mr Evangelos Pothitos, or his company, Pothitos Shipping, was the real owner of both ships and of all the ships in the Pothitos fleet.

That involved the proposition that the registrations were shams.

There was no commercial advantage in creating sham registered ownerships. Mr Pothitos could run his ships as a fleet by running a series of genuine one-ship ship-owning companies as a group.

He did not need a structure involving a holding company and subsidiaries, and still less sham companies. As governing shareholder in each ship-owning company, he could cause them to use their individual assets to their mutual advantage.

Discovery could be ordered if there was any real indication that it might uncover a situation which would confirm or negative the court's jurisdiction.

But there had to be some real indication that further facts might exist which would affect the issue.

Something less than a strong *prima facie* case might well suffice, but here there was no indication of any case at all.

Section 21 did not go, and was not intended to go nearly far enough to give the plaintiffs a right of arresting a ship which was not "the particular ship" or a sistership, but was the ship of the sister company of the owners of "the particular ship".

The appeal was allowed. The writ and warrant of arrest were set aside. Lord Justice Butler-Sloss and Sir Roualeyn Cumming-Bruce agreed.

For the plaintiffs: Kenneth Rokison QC and Stephen Ruttle (Clyde & Co)

For the shipowners: Michael Howard QC and Nigel Meeson (Holman Fenwick & Willan)

Rachel Davies
Barrister

Insurance

Making a virtue out of caution

Haig Simonian on the West German company's low-key, but aggressive, expansion

The tranquil view of water and greenery seen through the office window of Wolfgang Schieren, chief executive of Allianz, Europe's biggest insurance company, could hardly be further from the hurly-burly world of European insurance as it gears up for the challenges of 1992.

Yet Allianz, with worldwide premium income of DM25.9bn (£8.4bn) last year, is recognised in the international insurance market as being one of the world's most enterprising insurers. In the run-up to the European Community's planned liberalisation of financial services after 1992, it has become a major force in a number of European markets, while its management is widely admired for both technical expertise and strategic vision.

Its strategy is not universally acepted, though. A minority among its competitors

Despite its size and strength Allianz is facing unprecedented challenges

argue that Allianz's strength is derived from its size alone. They say its foreign ventures have not always been entirely successful, while domestically, it has used its size – and possibly its widespread stakes in other insurers and industrial companies – to stifle competition and block change. The recent unsuccessful attempt at a friendly takeover of La Suisse, the Lausanne-based Swiss insurer, is just grist to the mill.

According to the critics, Allianz is more a dinosaur than a gazelle. Aggression has most obviously been demonstrated, they say, in defending its home patch than competing abroad.

Allianz is by far Germany's biggest general insurer, with premiums last year of DM8.8bn. It also owns Riunione Adriatica di Sicurta (RAS), Italy's second largest insurer, with premiums of DM5.1bn, and Cornhill in the UK, with premiums of about DM1.6bn.

Moreover, Allianz's domestic premium income excludes the DM6.7bn generated annually at Allianz Leben, the country's biggest life insurer, which it owns jointly with the Munich Reinsurance company. Only in the US is Allianz still under-represented, although it hopes to change that.

Yet despite the complaints about a lack of dynamism – often heard loudest in London – most insurance analysts have little doubt that Allianz has got it about right. In a survey of leading German insurers earlier this year, County NatWest WoodMac, the UK broker, was highly encouraging. Allianz has followed a "cautious, sophisticated, underwriting policy" avoiding specialisation in one area to achieve a good "business mix, which serves to spread risk," it said.

"It may look undynamic, especially to people not used to the highly regulated German insurance market. But in Germany, Allianz is the market leader in almost every segment," says Uwe Zeidler, insurance analyst at Trinkaus & Burkhardt in Düsseldorf.

"The management is sophisticated and open to new developments," he says. It may appear to take decisions slowly, but, in common with many German groups, it tends to execute those decisions skilfully and in a low key fashion.

Earnings for 1987, which the company will report later this week, are again likely to be impressive. Figures for the ultimate holding company, Allianz AG, which is also responsible for the re-insurance business, give only a meagre indication of its size. But underwriting profits are likely to be well up on the DM12m made last year.

Investment income may be lower as a result of write-downs after the stockmarket crash. However, the company also sold some of its shareholdings in the first four months of 1987, before the crash, partly offsetting its subsequent losses. The transfer to reserves rose to DM91.2m against DM77.2m in 1986.

So much for the present. But what of Allianz's future – notably 1992? A recent study by Phillips & Drew, the UK broker, identified the group as one of the best placed insurers to benefit from the challenges ahead. In a league table of preparedness for the single European market and the chances of success after 1992, it was ranked almost embarrassingly ahead of all its other leading European rivals.

But it will not be plain sailing. Despite its size and strengths, Allianz is facing unprecedented challenges. The move to a liberalised market in financial services will lead to increased competition from foreign insurers in the key industrial market at home. In the mass market, there is the more immediate threat of competition from Deutsche Bank, which now seems set to push ahead into insurance.

Back in late 1983, when Deutsche Bank launched a new savings plan linked to a life policy, Schieren was prominently quoted as saying that a good cobbler should stick to his last.

"It was just advice," he says smilingly now. But he is coy as to what he thinks the bank has up its sleeve, or how Allianz will react if it goes ahead with its initiative, as seems likely.

"I believe I know what it means to develop a company in our business from scratch," he says. "We have our own experience – which has not always been successful. How should someone go about it coming from a different area of finance?" Nor is life insurance the sort of business where profits can be made from scratch. It takes "many years, many years. I would think about all that," he says.

But those expecting some bust-up between Allianz and the Deutsche Bank may be disappointed. Schieren suggests that there may be a "King Solomon-like solution. Maybe it doesn't have to be like this" (he gives a thumbs-up), "or like this" (thumbs-down). Referring to the bank's options, he gesticulates: "Maybe there is another way" (thumb tantalisingly horizontal). "We could all be wiser by the end of the year."

Have Allianz and the Deutsche Bank struck a deal – limiting the bank's activities or initiating some joint venture? Such a solution would preserve both from a bruising fight and undesirable publicity. Schieren is silent, but the implication is hard to dismiss.

Despite the bank's plans, Schieren is sceptical about "Allfinanz" catching on with customers in Germany. The idea of a broad range of consumer financial services being available from one source "doesn't sound bad. But experiences from the US aren't too encouraging," he says.

Thus Allianz has not followed some other insurers, notably the Aachener und Münchener, which has bought control of Bank für Gemeinwirtschaft, into developing closer banking links to exploit the synergies.

The attractions of cross-selling are certainly striking, Schieren agrees. But he is less sure about whether it can be done. Could a "normal" insurance salesforce, which must offer a wealth of products, "clearly and convincingly" sell bank products too, he asks? After all, the products "must be sold. I ask myself whether it's possi-

Allianz's biggest conundrum remains the US, a market stalked for years

ble to do it all in one head," he says.

Nor has Allianz founded a Bausparkasse (building savings bank) or a mortgage lending subsidiary, although both have their attractions. Mortgage banking in particular could be interesting for Allianz given the very large sums it makes available to the sector, either by buying mortgage banks' bonds or as a direct provider of funds to borrowers.

The question of setting up an independent operation is "legitimate", but it comes down to the bottom line in the end, says Schieren. "Allianz won't establish or take a stake in a Bausparkasse," he says. Nor has it "any concrete plans" to set up a mortgage bank. Only when going it alone seems more profitable than its present co-operative arrangements might Allianz think again. "The question is, should we be offering everything provided by a universal bank? I think not," he says.

Allianz's only concession to the concept of Allfinanz is to broaden its range of investment funds. Its fixed-income securities fund, set up in 1982, is now worth DM2.2bn. However, new funds for international fixed-income securities, shares, and a mixture of both are now on the drawing board.

Yet Allianz has no plans to cross-sell any of the other funds already offered by its European subsidiaries. RAS in particular has funds worth some DM11-12bn – down from around DM13bn before the crash. Currency risk is the problem, says Schieren; Germans are best off in Deutschemarks and Italians in lire.

Allianz is well established in Germany, Italy and Austria. But, with 1992 just around the corner, it still has some ground to make up elsewhere in Europe. Size is important. Schieren notes, as all Europe's insurers will be facing additional pressures on their premiums and commissions after 1992.

"Europe is our continent, we cannot ignore it. Our philosophy in Europe is to be optimally represented in every country," he says. "I'm not a turnover fetishist," but economies of scale will become decisive. Thus, according to the Allianz theory, size will be decisive. Much less is said about the need for innovation or new products.

In the UK, Cornhill, which it bought in 1986, now ranks about 11th-12th in premium terms. Allianz would like to see it rise to 7th-8th and build up life insurance business in particular. However, no major acquisitions are planned. But "if a mid-sized UK insurer were offered, why not look at bringing it into Cornhill?" asks Schieren.

Like many other German financial groups, Allianz would like to expand in both France and Spain, but opportunities are limited. It now generates about FFr1.5bn in annual premiums in France, ranking it about 20th.

But "ranking is not the issue", according to Schieren, and it is more the question of market perception. He feels that Allianz, despite its reputation, is still not regarded as big enough in the French market.

The recent battle for control of Compagnie du Midi has further convinced Schieren that a hostile bid is not the way to grow in France.

Opportunities in Spain are more limited still owing to the fragmented insurance market and the fact that the few bigger companies are all associated with, or under the influence of, banks. But with annual growth forecasts of 30-40 per cent for life insurance, Allianz can hardly ignore the market. It has no immediate plans but "we always have our ears to the ground," he says.

But Allianz's biggest conundrum remains the US, a market it has been stalking for years. "The US accounts for about half the insurance market of the free world. We feel we are under-represented at present," says Schieren.

The problem remains one of choice. Allianz is regularly offered unsuitable companies for sale by financial intermediaries or companies themselves, while those it would like to buy remain unavailable. Only 4-5 groups actually fit the bill, admits Schieren. The top 4-5 US insurers are simply too big for Allianz, while anything below number 20-25 is too small.

"Size in itself is not a concern, although we would rather buy a big insurer rather than a small one," he says. The type of company is more important. Nationwide representation is a priority, as is the right product mix. Property and casualty is more attractive than life and health, and, within that, a company weighted towards commercial lines is preferable to one in personal lines, he adds.

Management structure and financial conservatism are as important. Allianz's ideal buy should have adequate reserves, with no unquantifiable long-term liabilities in asbestos or tobacco. Lastly, it has to have very good management and not be over-priced.

Is it an exhausting – and possibly unachievable – list? "No," he says, "it is not depressing" to be constantly offered companies one does not want while not being able to buy the ones one does. "Rather, it's electrifying. It keeps us on our guard, waiting for the right chance. Who would have thought Sir Owen Green of BTR would have decided to offer Cornhill for sale so suddenly?" he asks.

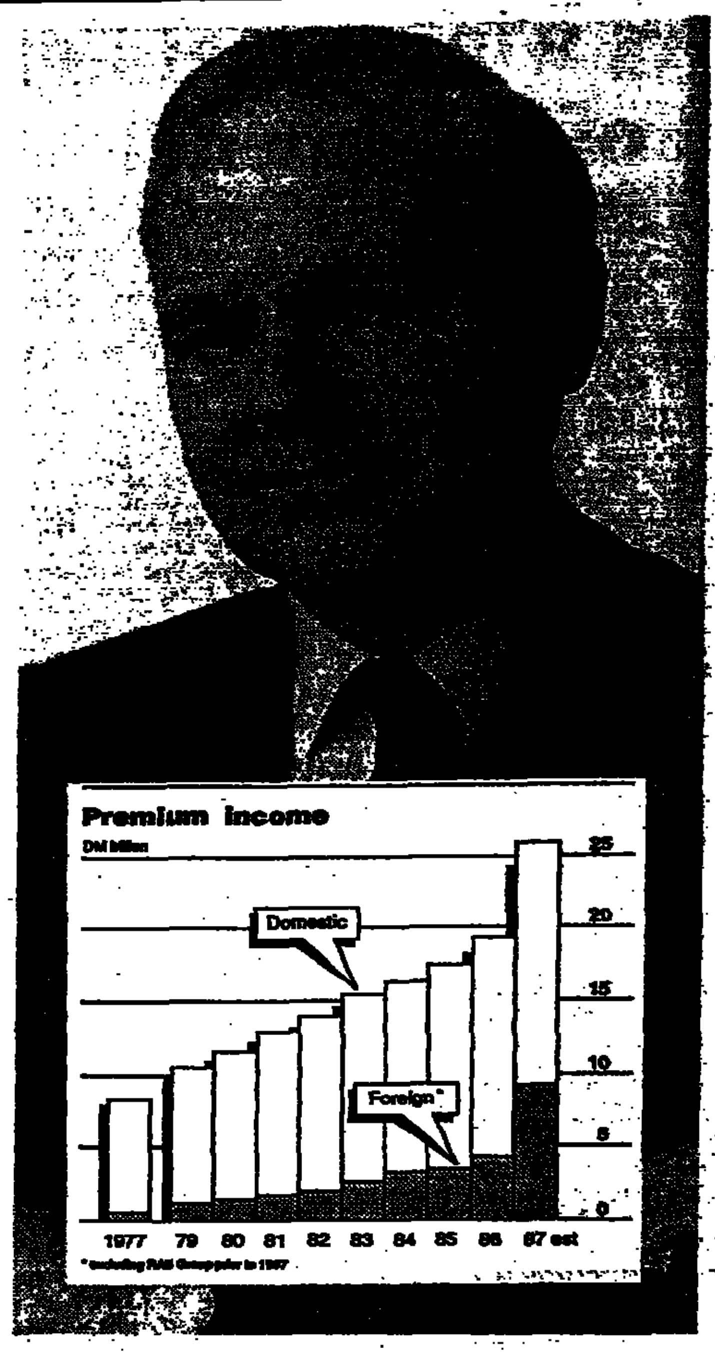
At least Allianz is not short of cash. Its war chest, standing at around DM2bn last year, is "a bit bigger now", says Schieren. Allianz also bought about DM1bn in foreign exchange late last year when the dollar was near its bottom in order to be prepared.

That does not mean a deal is around the corner. "We're not under pressure to buy," says Schieren. Rather, it took the view that, with the dollar so low, it was a good idea to buy dollars so that it could go ahead with an acquisition – whenever – irrespective of the exchange rate at the time.

Allianz once clashed with BAT in its battle to gain control of Eagle Star in the UK – a contest it eventually lost. But Schieren does not envisage a contested bid along the lines now being fought between BAT and Farmers. "The majority of US companies we're interested in involve only one shareholder. So a hostile takeover doesn't come into it," he says.

But then, Allianz probably never envisaged a fight when it first approached Eagle Star back in 1981. Matters soon deteriorated, however, with a dawn raid followed by fruitless talks and finally a full bid.

That experience in the Anglo-Saxon markets has not left Allianz – or Schieren – visibly scared, as some have suggested. But clearly, in an industry where it wants existing management to stay on board, it prefers a more delicate US approach than BAT's noisier path to the altar. In Allianz's dictionary, delicate does not mean undynamic.



JOBS

Novel ways of testing candidates' bottle

By Michael Dixon

ONE of the main reasons for this column's existence is to forewarn job-seekers of traps being laid for them by cunning recruiters. So we begin today with two new selection devices: the Doberman Test, and Roberts's Revealer.

Both were discovered by accident, and it is unlikely that either will be met very often in precisely the form described here. But in each case the recruiter who stumbled on the device feels that the principle behind it can be put to good use in various other guises.

The main promise of the two discoveries is that they can alleviate a root problem of conventional procedures of selection. It is that the post tends to be given to whichever of the candidates is the best performer in interviews, who may well not be the one who would be best at the job.

Some recruiters, knowing that most executive work requires an ability to respond aptly to nasty surprises, break up the expected pattern of polite cross-talk by subjecting candidates to stress. But such tactics generate more heat than light. For one thing, since the candidates know that the pressure is being artifically applied by an interviewer in an interview, they cannot be relied on to react to it as they would to a real-life reverse.

Hence the potential of the Doberman Test, which was discovered by headhunter John Courtis when selecting for a job in the West Country. The interviews were taking place in the lounge of a hotel near the employer's offices, and about half-way through the first encounter the door of the lounge crashed open and in stalked a Doberman dog.

"It obviously knew it was not supposed to come in there, because when it saw us it gave a nervous smile," says Mr Courtis, who was raised in the company of two Alsatians. "I don't know if you've ever seen Dobermans smile nervously, but the main effect is a show of about 28 linear inches of teeth. And as we were seated in low armchairs with the candidate nearer the doorway, he and the dog were eyeball-to-eyeball.

"What's more, although it fairly soon backed out again, it came back with almost heart-stopping regularity and did the same to every one of the other candidates I interviewed. Their responses to the genuine shock were most instructive."

In broad terms, Mr Courtis adds proudly, the responses were in line with the views he had already begun to form of the candidates' abilities. "The good guys recovered fast and went on being good. The bad guys got dramatically worse."

The other new device was discovered by David Roberts, of the bakers Frank Roberts and Sons, when interviewing in social surroundings at some distance from the company's base in Northwich, Cheshire. He describes the operation of Roberts's Revealer as follows.

"First take your candidate to a remote Welsh cottage, preferably cut off at high tide. When completely isolated, invite him to open the claret. Make sure you attach great importance to this simple task, then hand him a corkscrew invented by a teetotal Welsh Non-Conformist. This will reveal two crucial aspects of his suitability for the position:

"*Physical fitness.* If after two minutes he is fuming like a chimney and totally out of breath, his physical condition for senior responsibility must be seriously in doubt.

"*Ability to bear humiliation.* If teamwork is vital to the job, a calm honest acknowledgment that he is not infallible is easily observed.

"Our candidate did pass this test, and he is starting on August 1."

Chariots

ON BEING introduced to an FT reader the other night, I was startled to be accused of "perpetrating false analogies".

WHAT PRIVATE USE OF A COMPANY CAR IS WORTH

Approximate retail price of car:	Estimated annual value of car to employee when: No private-use petrol paid for £	Petrol for 8,000 private miles p.a £	All petrol and costs paid for £
Up to £8,000	2,250	2,650	3,000
£8,001–10,000	2,700	3,200	3,550
£10,001–12,500	3,800	4,300	4,800
£12,501–15,000	4,700	5,300	5,900
£15,001–18,000	5,500	6,100	6,700
£18,001–22,000	6,100	6,800	7,450
£22,001–35,000	7,600	8,500	9,300

HOW FREQUENTLY EXECUTIVES' CARS ARE REPLACED

Time vehicle is retained:	Chief executives %	Other directors %	Other top mgrs. %
Two years	7	7	5
Three years	63	59	66
Four years	20	24	18
Five or more	3	–	2
Time varies	7	10	9

The statement that irked him (which appeared not in this column, but in an article of mine in the special report on recruitment and personnel services printed on June 29) was that the company car has gone beyond being a mere mark of status to become "an executive virility symbol".

"That's patently untrue," he said, "because executives are forever sounding off to all in earshot about their company car's shortcomings."

Be that as it may, the wretched things are certainly an object of passionate interest - as witness the continual inflow of inquiries about their cash value to their possessors.

Some idea of the answer, for British readers at least, is given by the table above drawn from PA Personnel Services' latest survey of executive perks in the United Kingdom. Anyone wanting to know more about the study should contact PA's Keith Norton at 60a Knightsbridge, London SW1X 7LE; telephone 01-235 6060.

It must be emphasised, however, that no estimate of the money value of company cars can be better than extremely tenuous.

The top half of the table starts with various retail-price ranges. Then comes the worth to the possessor of cars in each range when the user must pay for the fuel for non-business motoring. Next we have the value when the company funds petrol for 8,000 miles of private travel yearly. The right-hand column refers to executives whose employer covers all the car's costs.

PA's figures are not adjusted for income tax "although the tax advantage from having the company provide the car can still be significant, despite the tax increases in the 1988 Budget, and the likely increases in 1989."

The table's lower half gives the percentages respectively of car-equipped chief executives, subordinate directors, and other top managers who are furnished with new models at different intervals.

Euro-research

RECRUITER Chris Beale seeks a head of European-equities research for a London-based bank he may not name. He promises to honour applicants' requests not to be identified to his client at this stage.

Salary indicator around £50,000 plus bonus on results. Other benefits negotiable.

TREASURY SALES

Midland Montagu, the investment banking and securities arm of Midland Bank Group is strengthening its sales capabilities in the Sterling and Currency Money Markets. As part of this process we wish to recruit a number of accomplished corporate sales people to join our professional sales force.

Candidates should have at least three years' experience in money market sales or trading across the whole range of short term interest rate instruments, and will be able to display both a deep understanding of the underlying markets and the sales process.

The successful candidates will be results driven and highly motivated individuals, who can develop and maintain sound relationships with the whole spectrum of customers in the UK and internationally.

Remuneration, which is negotiable and includes the full range of investment banking benefits, will not be an obstacle to the right candidates.

Please write with full details to Richard W. J. Crampton, Manager Personnel Operations, Midland Montagu, 10 Lower Thames Street, London EC3R 6AE.

MIDLAND MONTAGU

Midland Montagu Treasury Sales

Midland Bank plc a member of IMRO

PROJECT FINANCE MANAGER

£30-40,000

Our client is a major international bank, long established in London and with a global branch network. It is expanding its special finance function, and requires a non-recourse finance expert to extend this aspect of its business. Working in a small team of specialists in property lending, asset and acquisition finance, you will have ideally a degree or experience in petro/chemical or civil engineering and a minimum of 3 years in banking. You will control this section as it expands.

Contact Jocelyn Bolton

ASSISTANT MANAGER CORPORATE BANKING

to £35,000

This small but active European bank enjoys a dominant position in its traditional market. The intention now is to market the proven formula of individual service and bespoke products to small but entrepreneurial companies aiming for rapid growth. To achieve this, an exceptional all-round banker is required: in your early to mid-30s and preferably AIB qualified, with the ability to build a successful team from scratch, you must be willing to adopt a hands on approach to the marketing effort.

Contact Jocelyn Bolton

PROPERTY

£30,000

Our client is the commercial arm of a prime international banking group. The opportunity is to take control of the development of the property portfolio. You will be responsible for the negotiation and structuring of transactions, supported by a team of credit analysts. Ideally a graduate, aged 28-35, you should have at least 2 years' property experience and a proven track record in business development. For the successful candidate this is an opportunity to take responsibility for this important sector of the Bank's business.

Contact Loretta Quigley

For further information please telephone 01-606 1706 or send a Curriculum Vitae to Anderson, Squires Ltd., 127 Cheapside, London EC2V 6BU.

Financial Recruitment Specialists — Anderson, Squires

SENIOR ACCOUNT MANAGER — OIL AND GAS —

To £45k + car + benefits

As a result of continued growth, a major North American International Bank is expanding its Oil & Gas operations from its London base.

This has led to an immediate requirement for an entrepreneurial banker with a sound knowledge of oil and gas lending within the UK market. As well as having a proven track record in relationship account management, the ideal candidate will have a formal credit training, preferably from a North American Bank. The ability to manage staff is essential as it is likely that the person appointed to this role will eventually take overall responsibility for the Oil and Gas group.

If you are interested in being considered for this position please submit a full cv to: Andrew Stewart, BBM Associates, 76 Watling Street, London EC4M 9BJ

76, Watling Street, London EC4M 9BJ — BBM ASSOCIATES — Tel: 01-248 3653/01-489 8070

CONSULTANTS IN RECRUITMENT

MANAGEMENT DEVELOPMENT CONSULTANTS

FSMD

MBAs/PhDs for a very intellectual training consultancy

c.£25,000 and possibly much more; car, bonus, share options. Wilmslow

Financial Services Management Development provides individually tailored senior management programmes for financial institutions. Heavy demand, the vast potential of the client base, a business plan calling for a trebling of turnover and a forthcoming USM flotation dictate the need for four new appointments. There could be two distinct roles: a teaching/course development task which would suit those with intellectual rigour and a bright, interactive teaching style, or a business development/course director role which would demand social skills and presence to handle exacting clients and sharp, critical course members. The current team's background and sheer intellectual weight suggests that ideal candidates should have an MBA (or even a business oriented PhD). Teaching and research experience in a Business School, tempered by earlier episodes in practical management, could be the perfect background. Expertise in corporate finance, strategy, marketing or organisational behaviour would be a particular asset, especially when combined with talent for defining training needs, designing courses and developing original material. The wide salary range can accommodate both talented business graduates with potential and experienced practitioners from a business school or corporate background. A particular attraction is the opportunity for personal growth as the company expands — and a share in its success. Please send full career details, quoting reference WE 8148, to Ian Patterson at Ward Executive Limited, Academy House, 26-28 Sackville Street, London W1X 2QL. Tel: 01-439 4581.

WARD EXECUTIVE LIMITED

Executive Search & Selection

CJA RECRUITMENT CONSULTANTS GROUP

3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Excellent career prospects include progression within the Group's European and Reinsurance operations.

ACTUARY — STATISTICIAN PROPERTY, CASUALTY & MARINE

LONDON EC3 — **£28,000–£40,000 + BENEFITS**

UK/EUROPEAN OPERATIONS OF A MAJOR U.S. INSURANCE AND FINANCIAL SERVICES GROUP

This new appointment in the expanding Actuarial Department will be attractive to Actuaries, aged 28-35, with at least 2 years post-qualification experience in the London Market or an Actuary in a large provincial general assurance company who wishes to move into a major international group. A Statistician with relevant experience will also be considered. The successful candidate will be responsible for the actuarial analysis of large U.K. marine, aviation and commercial property accounts, liaising closely with U.K. business unit management in reviewing results, identifying trends and variances. The ability to interpret results and convey complex technical matters in lay terms is important, as is a commercial and practical approach to problem solving. The position is within the Actuarial Department's European section which reports to the U.S. Actuarial Department in Philadelphia, and receives support from the Actuarial Systems Team based in Brussels. Initial salary negotiable £28,000-£40,000 + car, mortgage subsidy, non-contributory pension scheme, free life assurance, private medical cover. Applications, in strict confidence, by telephone on 01-588 3114 (day) or 01-673 6783 (evenings/weekend) or in writing under reference AS4613/FT, to the Managing Director: CJA

CAMPBELL-JOHNSTON ASSOCIATES (MANAGEMENT RECRUITMENT CONSULTANTS) LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE: 01-588 3588 or 3576. TELEX: 887374. FAX: 01-256 8501.

Institutional Equity Sales

Base Salary Range £30,000 to £100,000 plus incentive bonus

Our client is the securities subsidiary of a highly respected European International bank. The firm is stable, well managed, well funded and its settlements systems are in order.

The company has a clear opportunity to enhance its competitive position in these circumstances by recruiting a small number of first class institutional sales executives.

Candidates must be broadly experienced with at least 7-10 years in UK equity sales.

The ability to manage successfully both their own client business and junior trading staff is essential.

Salary is negotiable and will depend upon expectations of the contribution the executive will make to the firm. There will also be an incentive scheme related to personal peformance and a full range of other benefits. Interested parties should either write with full details, quoting reference LM053 to Terry Fuller, Spicers Executive Selection, 13 Bruton Street, London W1X 7AH or telephone him, in complete confidence, on 01-480 7766.

SPICERS EXECUTIVE SELECTION

A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

Associate Members

Fully authorised Stock Exchange Member firm would like to hear from Associates with existing business who wish to continue servicing their clients from the City at competitive commission rates. Comprehensive settlement and valuation service.

Phone in confidence to: 01 638 7422

A FRESH START FOR SUCCESSFUL BUSINESS PEOPLE

It takes a very special person to reach the top in one field only to do better elsewhere but that is just the sort of person Hill Samuel Investment Services is seeking.

If you have a successful business or professional record and are now looking for a new start with the prospect of unlimited earnings, as your own boss, (including office facilities), write with C.V. or 'phone:

David Hall, Hill Samuel Investment Services Ltd, 1 Maddox Street, London W1R 9WA. Telephone 01-434 4583

FOREX

APPOINTMENTS

For Forex, Capital Markets and Treasury appointments consult a specialist agency

Terence Stephenson
Prince Rupert House
9-10 College Hill,
London EC4R 1AS
Tel: 01-248 0263

TREASURY

Due to continued expansion in our Treasury Department we are now seeking applications for the following new positions.

CURRENCY DEPOSITS DEALER

The candidate will primarily be responsible for Eurodollar dealing but will also be involved with CDs. The ideal candidate will have 2/3 years relevant experience in a similar organisation and be keen to use these skills in a busy environment, where the individual's contribution is readily identifiable.

JUNIOR STERLING DEALER

To provide back up and assistance to the Sterling Dealer. This position is ideally suited to someone with approximately 12 months relevant experience, who would like to use these skills in an environment where the opportunities for further growth and development are excellent.

Salaries will be commensurate with age and experience. The package will include a mortgage subsidy, non-contributory pension scheme, PPP, season ticket loan and LVs. Applications in confidence, including full CV, should be sent to Marc Hoodless, Personnel Manager, at the address below.

HENRY ANSBACHER · LONDON · EST. 1824

HENRY ANSBACHER & CO LIMITED

One Mitre Square, London EC3A 5AN

APPOINTMENTS ADVERTISING

Appears every Wednesday and Thursday

for further information call 01-248 8000

Tessa Taylor ext 3351

Deirdre Venables ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

Candida Raymond ext 4627

Business Analyst

Senior Post at corporate level

London to £26,000

You are a creative and analytical thinker with the vision to advise British Telecom on the financial implications of diverse business issues.

You have the maturity and sound judgement needed to evaluate proposed strategies, develop policies and procedures for cost accounting and licence accounts. The stature and ability to carry out specific investigations and respond to OFTEL, the body which monitors our activities. The interpersonal skills to communicate effectively, and the ability to generate and maintain good relations.

You are the person to join our Commercial Finance Unit at Group Headquarters, which significantly influences our overall commercial strategy.

A graduate, preferably in economics, accountancy or similar, you will almost certainly be a qualified accountant or an economist with experience of financial analysis. You will probably be familiar with computer modelling techniques.

If you match our profile, your CV will be welcomed by Andy Speed, Management Recruitment Unit, British Telecom, 3rd Floor, Haddon House, 2-4 Fitzroy Street, London W1P 5AD.

British Telecom is an equal opportunity employer. Applications are welcome from all suitably qualified individuals, irrespective of sex, racial origin or disability.

British TELECOM

Large Shipmanagement Company requires TECHNICAL MANAGER

Must be experienced with large steam tankers. Greek language advantage but not essential. Based in London.

Please reply to Box A0948, Financial Times, 10 Cannon Street, London EC4P 4BY

London office of International Financial Consulting Firm

seeks experienced individuals in all areas of banking and brokerage operations and settlements.

Please send current CV's to Mr M.M. Marx, Box A0947, Financial Times, 10 Cannon Street, London EC4P 4BY

CHIEF DEALER

Aged 35. Fifteen years experience. Traded all major currencies, main exposure being spot and forward sterling. Seeks a new and challenging opportunity.

Write with details to Box A0943, Financial Times, 10 Cannon Street, London EC4P 4BY.

Jonathan Wren

EQUITIES RESEARCH

Recommendation: BUY

Price: Tenders invited to £70,000

Prospects for equity analysts in the year 1988 are good. Demand for sector specialists is high and increasing. Data assumes minimum of three years experience in one of the following areas: motors, electronics, building and construction, health and household, commodities, financials, advertising agencies and property.

We would regard the positions as attractive long term investments. Contact Ann Winder.

EQUITY FUND MANAGERS

UK — European — Pacific Basin

£25,000 to £50,000

The current level of recruitment activity in this area is such that experienced equity fund managers, who have hitherto hesitated to test the waters, could be tempted with the quality and range of career opportunities currently being handled by the investment team at Jonathan Wren . . .

We are currently advising a number of investing institutions in the recruitment of UK, European or Pacific Basin specialists from Assistant to Senior Fund Manager level. Our clientele is equally diverse and includes both international and domestic investment institutions.
Contact Barbara Dabek or Roger Steare.

CREDIT MANAGERS

to £35,000

Over the past few weeks we have taken a number of vacancies for very experienced credit people to head up small to medium size credit teams. We seek mature individuals, aged 32 to 45, with many years banking experience, which, laterly, should have concentrated on credit appraisals of corporates, financial institutions and sovereign risks.

Tasks ahead will be the review and, if required, the reorganisation of existing credit teams, setting up formal systems for these reviews and for reporting, and recommendations to credit committee as a member of that team. Some positions will include elements of client contact.
Contact Richard Meredith or Caroline Sheridan.

LONDON HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

London Business School

Director of Finance and Administration

LBS, Europe's leading business school, is seeking a successor to Mr. Brian Dodridge, who is retiring next year, as Director of Finance and Administration.

This senior executive heads the School's administration and is a member of the School's policymaking group. With an annual turnover of some £10m, the School employs 220 staff, of whom 80 are teaching and research faculty.

Further details can be obtained from the Principal, Professor P.G. Moore. Applications, including a c.v. and the names of three persons to whom reference can be made, should be sent by 19th August 1988 to: The Principal, London Business School, Sussex Place, Regent's Park, London NW1 4SA, UK. Telephone 01-262 5050.

LONDON BUSINESS SCHOOL

IFR

The International Financing Review, the most widely read weekly on the international capital markets, has vacancies for three experienced journalists and a chief sub-editor.

One journalist is required for the IFR's fast-growing screen-based news services. He/she will report on all financing covered by the IFR but would focus especially on the equity and equity-related area. Journalistic experience and an interest in international finance are needed (languages also useful), although no specific capital markets reporting experience is required. The successful applicant will work as part of a team of five in London and should be prepared to work abroad.

Two journalists are also required to work on the IFR magazine and its sister publication Equities International. The successful candidate would preferably be experienced in the field of financial reporting or have a basic knowledge of the euromarkets and equities.

A Chief Sub-Editor, reporting to the News Editor and working closely with the Production Editor, is sought. He/She will also be required to work on other IFR Publications Ltd titles and books.

Salaries will be in line with experience and all employees are entitled to Thomson International benefits.

Written applications should be sent to Miss Jacky Freeman, IFR Publishing Ltd, 92 Middlesex Street, London E1 7EZ.

Equity Dealers

J & E Davy, Ireland's leading Stockbroker, wish to recruit at least two equity dealers.

Successful candidates are likely to be highly qualified recent graduates with, possibly, a post graduate or accountancy qualification. A keen interest in Irish business and the Stock Exchange is essential.

Applicants must have good sales skills, be self starters and capable of fitting into the existing dealing and research team.

The necessary training and research support will be available to suitable candidates to establish a successful career with the firm.

Remuneration and career prospects are at an attractive and appropriate level.

Applications should be made in writing to:

The Secretary (Ref ED),
Davy Stockbrokers, Davy House, 49 Dawson Street, Dublin 2, Ireland.

DAVY
STOCKBROKERS

THE SULTANATE OF OMAN
THE MINISTRY OF PETROLEUM AND MINERALS.

The Ministry of Petroleum and Minerals in the Sultanate of Oman wishes to fill the following vacancies:

First: Petroleum Engineer/Expert:

(1) Successful candidate should have wide experience in this field and should have the following academic qualifications and experience. Age should not be less than 40 years and should not exceed 50 years:
- PHD Degree plus 10 years experience.
- Master Degree plus 14 years experience
- B.Sc Degree plus 21 years experience.

(Degree mentioned above should be in petroleum engineering fluency in English is essential).

(2) Successful candidate must have background and experience in the following:
Background in project economics
Computer literate E.G. IBM - PC
Drilling/completion experience concentrated onshore in 2,000' - 15,000' range preferably including thermal eor operations.
Facilities experience to include fairly large volume facilities, steam thermal production and exposure to gas processing and refining

(3) Terms of Services
Basic monthly salary of 1658 omani rials - 143 omani rials allowance for water, electricity, car and telephone. Married, furnished accommodation shall be provided and free medical treatment in Government hospitals shall also be available.

Candidate shall have 48 fully paid days annual leave, and be entitled to tourist class return tickets for the candidate and his family.

Second: Petroleum Geologist/Expert:

(1) Successful candidate should have wide experience in this field and hold the following academic qualifications and experience. Age should not be less than 40 years and should not exceed 50 years.
- PHD Degree plus 10 years experience.
- Master Degree plus 14 years experience.
- BSc Degree plus 21 years experience.

(Degree mentioned above should be in Petroleum Geology. Fluency in English is essential)

(2) Successful candidate must have background experience in the following:-
Petrophysical analysis
Project Banking
Basinal Studies

Terms of service
Basic monthly salary of 1658 omani rials + 143 omani rials allowance for water, electricity, car and telephone. Married, furnished accommodation shall be provided and free medical treatment in government hospitals shall be available too.

Candidate shall have fully paid days annual leave and shall be entitled to tourist class return tickets for the candidate and his family.

Reply in full confidence with copies of all the relevant certificates showing the qualifications and experience and other details (C.V.) to:
The Director of Personnel Affairs
Ministry of Petroleum and Minerals
P.O. Box 551
Muscat/ Sultanate of Oman.

SENIOR APPOINTMENTS

The City office of a major international bank, is currently undertaking significant enhancement of its professional staff, functions and systems. As a result, we seek to appoint the following key executives:

CORRESPONDENT BANKER

To lead a small team developing/co-ordinating domestic and international banking relationships. A proven track record in the handling of a full range of products including, syndications, participations, treasury services, asset swaps and project finance is required. The post will cover a wide range of origination and distribution business. (REF: CB)

SENIOR CREDIT ANALYST
with Management Potential

Applicants, ideally aged 25-35, should have at least seven years of relevant experience in corporate, bank, country risk and Trade Finance assessment. US bank training would be a distinct advantage. The position calls for sound oral and written communication skills together with high self-motivation and leadership qualities. This is a challenging position and offers the opportunity to become fully involved with all aspects of this vital area. PC Computer literacy and spreadsheet analysis capability is desirable. (REF: SCN)

FINANCIAL CONTROLLER

A qualified Controller with at least ten years of relevant experience, preferably gained within an international US institution is sought. Responsibilities cover the definition of accounting policy and procedures, production of balance sheet, profit and loss, MIS and reports to regulatory agencies, budgeting and monthly financial analyses of variances, product costing, profit centre accounting and transfer pricing systems. The preferred candidate will possess an advanced University degree or equivalent professional qualification, European and U.K. wholesale, retail and investment banking as well as tax and Regulatory Reporting experience. Computer literacy is essential. (REF: FC)

SENIOR DEALER - TREASURY

Experienced Senior FX Dealer whose primary function is to develop a spot trading capability in major currencies. The applicant should also be familiar with all aspects of deposit dealing and related off-balance sheet instruments in order to manage the overall exposure of the dealing room.

Salary and benefits of all positions are comprehensive and commensurate with experience.
Please reply to P.O.B. A0946, Financial Times, 10 Cannon Street, London EC4P 4BY

Corporate Banking Executives

New Appointments, New Offices, A New Approach!

Cardiff, Cambridge, Reading To £28,000 Basic, Profit Share, Car, Full Banking Benefits

A main thrust towards the prime aim of a front-runner position in UK Corporate Banking has been a recent massive restructuring and redefinition of human resource strategy within this major International Bank. A keynote is a refreshing flexibility to match success with reward and allow early accountability and fast career development to high achievers.
Establishing new strategic Corporate Banking Centres is also a vital part of the plan. Each centre will initially be staffed by an Executive, a Marketing Assistant and a PA/Secretary. Targetting business in the £5 million to £100 million t.o. sector, Executives will spearhead relationship management in the designated area to develop profitable business across the whole range of the Bank's corporate services. Although lending will have sharp focus, Executives will develop innovative marketing strategies and service packages tailored to individual client needs. Ideally you will be an ambitious, young (say 26-34) graduate/ACIB banker perhaps looking to extract yourself from a career prospect seemingly geared to the inevitability of gradualness. Essentially you will already have meaningful marketing experience and enjoy successful corporate relationships. There are excellent terms with full range of benefits and relocation costs.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *A.D. Pegge, Hoggett Bowers plc, Pearl Assurance House, Greyfriars Road, CARDIFF, CF1 3AG, 0222-397246, quoting Ref: C13048/FT.*

Hoggett Bowers
Executive Search and Selection Consultants
BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR
A MEMBER OF BLUE ARROW PLC

Swap Documentation

Citicorp wishes to strengthen its London based transaction management department with an experienced Swap Documentation specialist.

We are looking for a qualified lawyer with significant experience in the preparation of currency and interest rate Swap documentation, who will be able to contribute immediately with minimal supervision.

We offer an attractive banking package, including mortgage subsidy. Please write enclosing full career details to: Miss Barbara Simpson, Personnel Officer, Citicorp Investment Bank Limited, 335 Strand, London WC2R 1LS.

We are an equal opportunity employer.

CITICORP CITIBANK
A Citicorp Company

GROUP TREASURER

Manchester £40,000 package
Late 20's/early 30's Exec car + benefits

COLOROLL
WALLCOVERINGS · HOME FURNISHINGS · CERAMICS · GLASSWARE

Coloroll is now the largest home fashion group in the UK - having established a prominent position in a number of market sectors. The recent successful bid for John Crowther has brought additional businesses into the Group and is expected to take turnover beyond £600 million p.a.
Coloroll's philosophy is to operate autonomous profit-responsible divisions linked to specific brand names, with a small team of key professionals at the Manchester headquarters. The explosive growth of the last 2/3 years now requires a Group Treasurer to join this team.
Your role will centre on liquidity management of an increasingly diverse range of companies. You will review, and as necessary improve, current systems for monitoring cash requirements - present and projected. You will keep a tight control over the Group's foreign currency exposure, hedging overseas assets as appropriate and overseeing all significant import/export transactions. You will take the lead in negotiating Group-wide funding facilities, researching new treasury instruments and maintaining banking relationships at the highest level.
You will be a high calibre, graduate/MBA professional, possibly with a background in banking and with sound experience in corporate treasury management. Your personal style will be alert, incisive, persuasive - with a 'presence' that carries weight in your external dealings. You will also have an eye for detail and an interest in utilising latest technology - including your own PC - in handling the complex data flows within a dynamic business.
Working within a sophisticated central unit, you will maintain a regular, advisory interface with senior excutives throughout the organisation. Success in this highly visible role will lead to unrivalled opportunities for personal growth and career progression.

Please contact Dudley Harrop or Lawrence Barnett at our Manchester office quoting reference number M895.

ASB
ASB RECRUITMENT LTD
Eagle Buildings, 64 Cross Street
Manchester M2 4JQ. Tel: 061-834 0618
Also at: Leeds and Liverpool
A Division of ASB Barnett Kinnings PLC

Make IBM a part of your Business Plan

Success breeds success, so the saying goes, but at IBM United Kingdom Limited we know it takes rather more than today's success to guarantee our market position in the future.

Certainly, it is essential that we continue to develop the products and services to suit the changing needs of industry and business. Equally though, we are committed to the best planning support, and we're now looking for two professionals to join the Business Plans function at our Portsmouth headquarters.

The successful applicants, who are likely to be in their 20s, will be joining a Group responsible for planning IBM UK's revenue and resources and for monitoring and forecasting the business environment.

You should hold a good degree, ideally in Economics or Business Studies, and will preferably have gained experience in planning or market research. A sound understanding of quantitative methods would be particularly advantageous.

We are offering competitive salary and benefits packages. In addition, you will have the opportunity to progress your career with an international business leader either in planning or in other functions within the company.

To apply, please write with a detailed CV to Tilly Brennan at IBM United Kingdom Ltd., PO Box 41, North Harbour, Portsmouth, Hants PO6 3AU, or phone her on (0705) 321212 ext. 4387 for an application form.

"I think, therefore IBM."

- 18,500 jobs in over 50 UK locations
- Two manufacturing plants
- Development laboratory near Winchester
- An equal opportunity employer
- £1,837 million exports in 1987

IBM

International Project Finance Adviser

Schroders, the international Merchant Bank Group, is seeking to recruit an Executive to join its highly successful International Projects Department, based in London.

The expanding activities of this department involve a wide range of challenging assignments which include: advising on and arranging project financings, both debt and equity; advising clients on privatisation; development of joint public/private sector financings including infrastructural projects and international BOT schemes. This work covers a wide range of industry sectors, mainly in the UK and Asia, but also Europe, South America, Africa and the Middle East.

The successful candidate will have an outstanding academic record, probably a relevant professional qualification or MBA, and three to five years experience in one or more of the following; project finance, banking, accountancy or financial management, or a capital intensive industry. Essential qualities are strong analytical powers combined with the ability to present well to clients both orally and in writing.

The total rewards package comprises a competitive salary and an attractive range of benefits including mortgage subsidy and non-contributory pension scheme. Opportunities to progress within the department and the group are excellent.

Please apply in writing, with full C.V. to: Jo Heigho, J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS.

Schroders

SFIA is a recognised leader in the field of school fees planning. Our success and growth in this sector of the market along with other specialist financial services has necessitated a move to spacious new premises in September this year. As a result we have embarked on organisational changes, which have created an exciting opportunity for a

Manager

Financial Planning Services

Reporting directly to the Managing Director you will be expected to effectively co-ordinate the efforts of a team of consultants handling enquiries for school fees planning, pensions, and life assurance. The over-riding objective is to develop these enquiries into firm business using the exacting criteria set out in the Financial Services Act.

The successful candidate will be listed as being authorised to give investment advice, with a proven track record in financial planning. You will also demonstrate the ability to lead by example and have the confidence and personality to motivate a team of consultants.

In return you will receive a good salary plus performance related commissions, a company car, membership of a group staff pension and private health and sick pay schemes.

The post will suit an ambitious self starter with the enthusiasm and commitment to succeed. If you feel that you have these characteristics along with the necessary experience and ability please apply in writing, with a full CV to

SFIA

Mrs A Feck, Managing Director,
School Fees Insurance Agency Limited
10 Queen Street, Maidenhead, Berks. SL6 1JA

Mark your correspondence 'Private and Confidential'

BARINGS

Mercado de Capitales – España

Debido al crecimiento de sus actividades en España y a la próxima apertura de una oficina en Madrid, Barings necesita un joven ejecutivo para integrarse al equipo en Londres que cubre el mercado europeo.

El candidato seleccionado se ocupará del apoyo a la oficina en Madrid, encargándose del análisis del mercado, de la preparación de propuestas y de la documentación de operaciones. Se relacionará también con otros países europeos. Se espera que después de un período inicial asumirá más responsabilidades en el desarrollo de nuevas oportunidades en el mercado español.

Los candidatos apropiados tendrán entre 23 y 26 años y serán licenciados universitarios. Se valorarán calificaciones y experiencia pertinentes. Además del español y del inglés, son deseables conocimientos de otros idiomas europeos.

El salario es negociable de acuerdo a edad y experiencia y la remuneración incluye hipoteca subvencionada, pensión sin contribuciones y asociación a BUPA.

Los solicitantes deberán dirigirse, incluyendo su curriculum, a:

Francis Carnwath,
Personnel Director,
Baring Brothers & Co. Limited,
8 Bishopsgate, London EC2N 4AE.

McCAUGHAN·DYSON·CAPEL·CURE

INSTITUTIONAL SALES

We are an established international securities house, and employ 550 people worldwide. We now wish to further increase our sales teams in the following areas:-

EUROPEAN SALES

We wish to recruit experienced sales executives, capable of selling a first class product, who will thrive within our stockbroking environment. Over the past six months we have broadened our research base by increasing our U.K. and European Research Departments. We have an in-depth knowledge of an research a significant number of the Footsie 100 Stocks and cover all European markets.

AUSTRALASIAN EQUITY SALES

A sales executive is needed who, in addition to covering the Australian sector, will also have responsibility for coverage of the New Zealand equity market. We are leading brokers in this sector and deal actively in Australia and New Zealand equities and fixed income securities.

Applicants for either appointments must be established sales executives with a proven track record, a broad range of contacts with UK and European clients and also must have the ability to generate new business.

We offer a first class research product, an enjoyable working environment in an independent operation within the framework of a major successful international business, and an excellent remuneration package based on individual performance.

If you are interested in joining us please contact James Neill, our Personnel Manager, on 01-236-5101 or send a C.V. All applicants will, of course, be treated in the strictest confidence.

McCAUGHAN DYSON CAPEL CURE (UK) LIMITED
65 Holborn Viaduct, London, EC1A 2EU.
Member of the ANZ Group

A vacancy exists in the Strauss Turnbull Division of
SGST SECURITIES LIMITED
for an

ADR Trader

to make markets and deal in the full range of ADR products and to develop the company's capacity in this expanding area.

Candidates should have some previous exposure to ADR trading and be self motivated, goal orientated, organised and assertive, with the ability to work with a team within broadly defined guidelines, while able to provide support to the other members of the dealing room.

For further details of the opportunities available for personal development, please telephone or write to

Lyn Usher, Personnel Manager
SGST Securities Limited
Moorgate Place, London EC2R 6HR
Telephone: 01-638 5699

SGST SECURITIES LIMITED

FINANCIAL OPPORTUNITIES

SALES MANAGER - Japanese Equity sales covering UK & European accounts. Min 5 years exp. For details call Sue Stephens.

SALES MANAGER - with min 5 years direct Fixed Income sales experience. Managerial exp preferable. Please call Sue Stephens for details.

SALES MANAGER - UK Equity sales with coverage of the European markets. Ideally some managerial exp. but must have at least 4 years involvement in this field. Call Sue Stephens for details.

SALES US/CANADIAN EQUITIES - Candidates should have at least 4 years experience. For details please call Sue Stephens.

SALES

US Treasury sales - 2 years exp	£neg
US Equity sales - 2 years exp	£neg
UK Equity sales into Europe - 2 yrs exp	£neg
Aussie Domestics - 2 years exp	£neg
Convertible Bonds - 3 years exp	£neg
European Equity sales into Europe	£neg
Fixed Income sales - Holland	£neg
Fixed Income sales - Fluent German	£neg
Foreign exchange sales	£neg
Futures &/or Options sales	£neg
Gilt sales - 2 years min exp	£neg
Japanese Equity sales into Europe - 2 yrs exp	£neg
Sales: Canadian Names	£neg
Sales: Central Banks - Languages	£neg

For details call Sue Stephens.

TRADER/SALES - Experienced US &/or UK Convertible Bonds. Min 3 yrs good Convertible exp essential. Excellent package available. Call now quoting ref DF/158

TRADER - US Treasurys. Min 3 years exp with quality house. Quote ref DF/601

TRADER - Canadian Dollar (not US Dollar) Bonds. Must have min 2 years exp. Please ring quoting ref DF/315

TRADER - experienced Euro-Guilders. 3 - 4 years exp with Guilders book. Quote ref DF/307

CORPORATE FINANCE - 3 years experience. Must be a graduate, language useful. Good package available. Quote ref DF/302

BOND BROKING - with good experience in either sales or trading or US $ Straights. Please call Richard Ward.

GILT MARKET MAKING - Ideally very good experience on Shorts. Quality house. Please call Richard Ward.

TRADER - with good experience in Australian domestics. Quality house. Please call Richard Ward.

MARKET MAKER - with good experience of the Swiss & French markets. Please call Richard Ward.

MARKET MAKER - with good experience on the UK side with quality house. For details call Richard Ward.

For further details contact 01 377 6488
Cambridge Appointments
232 Shoreditch High Street
London E1 6PJ

01-377 6488

Money Market Sales

As one of the major North American Banks CIBC continues to expend its varied and successful Money Market Sales activities, creating an opportunity for an experienced and committed Salesperson to join our small dynamic team to assist in the further development of the distribution of Money Market products to a European, North American/Caribbean client base.

Candidates must be able to demonstrate a high level of expertise in selling ECP and FRN, preferably gained from a minimum of 2 years' experience with an established team.

This opportunity will suit an ambitious achiever wishing to make a larger personal contribution in a progressive and flexible environment. There is considerable scope to become involved with an unusually broad range of money market products.

In return for your commitment you will be rewarded with an excellent salary package which features the usual banking benefits. If you wish to apply please send me your CV immediately, or call:- Mrs K Pierce, Personnel Officer, Canadian Imperial Bank of Commerce, Cottons Centre, Cottons Lane, London SE1 2QL. Tel no: 01-234 6415.

CIBC Canadian Imperial Bank of Commerce

Senior Executive General Banking Division

Attractive Salary + Comprehensive Industry Benefits

Due to the continued growth of the Bank's short and medium term loan portfolio, there is a need to supplement the existing banking team with an experienced banker, aged 30-35, with commercial lending and corporate finance expertise. The candidate should have a comprehensive knowledge of UK and international loan products, a strong credit background and demonstrated marketing capabilities. Knowledge of specialised corporate finance products would be an asset in making a meaningful contribution to broadening the current product base.

Nomura Bank International plc is the principal banking subsidiary of The Nomura Securities Co., of Tokyo, one of the largest international investment banking and securities firms in the world. The Bank's customer base, which consists of the top UK, Continental European, US and Japanese corporates with longstanding relationships with the Nomura Group, provides a wide range of banking opportunities. The position offers challenging career potential within a major worldwide financial organisation.

Candidates should reply in confidence, enclosing full CV, to: Mrs. J. Hamilton, Assistant Manager – Personnel, Nomura Bank International plc, Nomura House, 24 Monument Street, London EC3R 8AJ.

NOMURA
NOMURA BANK INTERNATIONAL PLC

WOOD GUNDY

INSTITUTIONAL EQUITY SALES

LONDON **PARIS**

Wood Gundy is one of Canada's leading investment banking firms, with its Head Office based in Toronto. Our London and Paris offices offer a range of services in the primary and secondary markets, both debt and equity, as well as financial advisory services.

For our expanding international securities business we seek experienced Institutional Sales Specialists with an established track record. The successful candidates will join a highly motivated sales team based in London or Paris marketing our Canadian and US equity product to European institutional clients.

The positions offer excellent career prospects in addition to a generous remuneration package which includes profit share payments, mortgage subsidy and company car after a qualifying period.

Please apply to: Mr. W.J. Meredith, Wood Gundy Inc., 30 Finsbury Square, London EC2A 1SB. Telephone: 01-628 4030.

DIRECTOR FOR THE ENGINEERING DESIGN RESEARCH CENTRE

A unique and outstanding Career Opportunity
Not less than £30,000 per annum

A Director is sought for the Engineering Design Research Centre to be established in Glasgow. The Centre is funded by a grant awarded to a consortium of five Higher Education Institutions by the SERC following a national competition. The grant of £6.76M will be supplemented by other sources to reach about £10M over an initial period of six years.

The Director will be responsible for the Centre's financial, manpower and equipment resources and for the execution of a broadly approved programme of work.

Candidates will have practised as professionally qualified engineers preferably in a design and manufacturing environment. They may now be directing a significant unit in a company involved in engineering design and manufacture.

The aim of the Centre, through its three main functions of engineering design research, education and training and industrial services, is to create a world class design resource to help place British engineering at the forefront of design technology. The Centre will be equipped with state of the art design dedicated computing and communication facilities, linked to the members of the consortium and other co-operating bodies. About 70 staff will work on the centre's programmes, either at the centre or at the co-operating bodies.

The terms and conditions of the full-time appointment are subject to negotiation. The host institution wishes to attract high calibre applicants demonstrating the vision and having the experience to fill this new and challenging role in the UK engineering scene.

Further particulars giving the background to the EDRC and the responsibilities of the post may be obtained from Dr. B. M. Fraser, Director of Personnel Services, University of Glasgow, Glasgow G12 8QQ, with whom applications (3 copies, 1 copy in the case of overseas applicants) giving the names and addresses of three referees, should be lodged on or before 9th September, 1988.

In reply please quote Ref. No. 6271.

serc

METROPOLITAN BOROUGH OF WOLVERHAMPTON

Finance Department
West Midlands Metropolitan Authorities Superannuation Fund

ASSISTANT PORTFOLIO MANAGER
(up to £18,000)

TRAINEE INVESTMENT ASSISTANT
(6,400 - £13,000)

The above posts are now available in the Investment Division of the Finance Department which is responsible for the management of investments amounting to £1.4 billion. Applicants should be numerate and keen to develop a career in investment management. Previous experience of fund management will be and advantage for the more senior post, whilst candidates with a relevant educational background, but without investment experience, will be considered for the trainee vacancy.

Starting salaries will be agreed in relation to relevant experience, and relocation expenses are payable in appropriate cases.

Further details and application forms (quoting Code Number 94/38) from Director of Finance, Civic Centre, St Peter's Square, Wolverhampton, WV1 1RL. Telephone (0902) 312081. Closing date: 12th August 1988.

Wolverhampton Metropolitan Borough Council is an equal opportunity employer and positively welcomes applications from all sections of the community irrespective of an individual's sex, ethnic or national origin, colour, age (up to 65 years) disability, sexual orientation or responsibility for dependants.

WOLVERHAMPTON *the pace setter*

STOCKBROKERS/FUND MANAGERS

We seek experienced Fund Managers/Stockbrokers to join our Dealing Team.

Applicants must possess drive, an established clientele, a sound understanding of UK equities and be capable of producing investment advice.

An excellent remuneration package is offered to the successful applicants.

Tel: 01 353 3277 Standard Financial Markets Ltd,
36-38 Whitefriars Street, London EC4Y 8BH
MEMBER OF I.M.R.O.

INSTITUTIONAL FUND MANAGEMENT

A number of our Investment Management clients seek fund managers aged 25-35 with at least two years' investment management or equity analysis experience to take responsibility for managing funds invested in the UK, Europe or Pacific Basin.

Please contact James Younger.

PRIVATE CLIENTS

Several Securities houses and International Banks wish to expand their Private Client Departments by attracting high-calibre teams or individuals with attached business. Discretionary portfolio managers with a minimum of 5 years' experience in UK or International equities are of particular interest.

Please contact Nicky St. John.

There is also a growing demand for experienced financial services executives with their own client base and for individuals considering a move out of London to regional offices of Securities firms.

If you are considering a move, or simply wish to be kept informed of potential opportunities within our International Banking, Securities and Investment Management clients, we are pleased to advise you in confidence: at 20 Cousin Lane, London EC4R 3TE. Telephone 01-236 7307.

STEPHENS ASSOCIATES
SEARCH & SELECTION IN SECURITIES & INVESTMENTS

GENERAL MANAGER FINANCIAL SERVICES

Due to continuing planned expansion a substantial division of a publicly quoted group now wishes to recruit a General Manager to work closely with the Managing Director heading an existing successful team based in London.

Candidates must have considerable broadly-based man management experience and a proven track record in the effective implementation and control of administrative and computer systems. A firm commitment to professionalism and teamwork is essential.

Remuneration package c. £25,000 + car

Reply in confidence to Box A0950, Financial Times, 10 Cannon Street, London EC4P 4BY

A direct line to the executive shortlist

To secure the best appointments at a senior level needs more than good advice, accurate objectives and succinct presentation.

InterExec not only provides career advice, but also a unique service to bridge the critical gap between counselling and the right job. Why waste time and money on unproductive letters?

InterExec clients do not need to find or apply for appointments. Over 50 full-time staff with over 5,000 unadvertised vacancies p.a. enable InterExec to offer the only confidential Executive placement service. What is each unproductive day costing you?

For an exploratory meeting without obligation, Telephone InterExec on 01-930 5041/7

A member of the Career Development & Outplacement Division

Landseer House, 19 Charing Cross Road, London WC2H 0ES.

InterExec SMI

The one who stands out

Hamlet à la Dostoevsky

Anthony Curtis reviews Patrice Chéreau's new production at the Avignon Festival

It is festival time at Avignon. The city is swarming once more with what Le Figaro has called the most loyal audience in the world; loyal to the point of paying heavily in beauty-sleep as well as francs for the pleasures of *Le Spectacle*. Nothing much begins until the blazing sun goes down at around 10 o'clock, and if the play ends in time for you to be in bed before 3 am you will be enjoying a rare early night.

Drama is the essence of this festival, a rich feast of it at all levels drawn from French and foreign classics with a notable paucity, usually, of work by living playwrights. But there is always at least one major art exhibition, this time a retrospective of the Paris-based Italian abstract painter, Alberto Magnelli, who died in 1971. To see opera you have to go further afield to Aix or Orange; but at Avignon there is always some modern dance on offer, led this year by Merce Cunningham, and this year too, a new and welcome musical element has appeared thanks to the presence of Pierre Boulez.

Under the auspices of Louis Vuitton Foundation, he has been conducting an ambitious programme of his own composition, including his *Repons*, which involves a group of soloists, an ensemble, and the musical wonder-toy IRCAM. The effect, crudely put, is of an updated version of the pattern of statement and responses, in medieval liturgical music. For this operation Boulez has taken over the vast natural auditorium at Boulbon where Peter Brook staged his Indian epic and where the Boulez sound, live and electronic in unison, can reverberate through the splendid acoustic of the one-time chalk quarry.

But for all the diversity of attractions at Boulbon or on the other side of the Rhone at Villeneuve-les-Avignon, the tone of the festival is always set by what happens in the courtyard of the papal palace. There the main drama productions are staged. This year it is the turn of Shakespeare in French; first *Hamlet*, produced by Patrice Chéreau in the translation by Yves Bonnefoy, which opened the festival and later on *The Winter's Tale*, directed by Luc Bondy in the translation by Bernard-Marie Koltes.

Chéreau has had considerable experience in directing works under festival conditions which are by way of being national monuments. As an opera director he has several seasons at Bayreuth under his belt, and knowing this, I felt his *Hamlet* betrayed a *Ring*-like solemnity in its conception as well as a Wagnerian prodigality with time: it lasts for the best part of five hours including one interval. This extravagant length is achieved by playing the full text and giving equivalent weight to all of it. Thus a little scene where Polonius sends an underling out to Paris to spy on Laertes is played as slowly and deliberately as are the major confrontations between Hamlet and Claudius.

In the process some of the more obscure areas of the text are interestingly illuminated, but as night deepens the slow pace becomes wearisome. Shakespeare's playful pragmatism, his sense of fun even here, is hard to find; more importantly, this wide-angled conception frequently diversifies the focus of attention away from Hamlet, making life hard for the actor who plays him, Gérard Desarthe. He copes by never letting up for a second on the intensity of his consciousness of the universal malaise, even in his most sensual moments with Ophelia and Gertrude. Desarthe maintains a dark, brooding, bitter intellectual authority throughout. His subtleties rival the more practical assessments of Robin Renucci's tough, confident Claudius.

This is a Prince of Denmark over-conscious of his mission to put the time back in joint, at the expense of more personal loyalties, a Hamlet if you like à la Dostoevsky, an effect enhanced by the imposing arena. The huge wall of the papal palace with its darkened windows offers an immense foil of antiquity and eternity against which Hamlet's utterances echo in the stillness of the summer night.

The conditions impose an absence of decor, the shadowy vastness compensates in magnitude for precisely appointed local habitations. It is in fact the floor of the stage that catches the eye. It resembles a huge wooden jigsaw whose pieces may be raised or lowered at appropriate moments to indicate throne or grave. They remain uniformly flat for the first scene; happily flat, for when the Ghost appears (Wladimir Yordanoff) he is on horseback and does a sprightly caracole around the astonished members of the guard. When he does dismount eventually to hector Hamlet his presence is a good deal less remarkable than his earlier feats of dressage. As a ghost he is uncommonly aggressive, but he is overshadowed in this respect by the positively bellicose Polonius of Bernard Ballet whose bullying manner in his attitude to his son (Vincent Perez) and his daughter (Marianne Cuau) extends even to the king.

"Vouz parlez comme une fille naive," he replies to Ophelia when she speaks of Hamlet's affection. That is typical of what happens to homespun English phrases such as "You speak like a green girl" when they are put by Bonnefoy into French. The most controversial of his renderings is to translate the word "play" in "the play's the thing" into the more generalised "theatre;" and this is picked up by the production when the players make their entrance like a group of actors of the 1930s, the contrast between their modern clothes and black Elizabethan tunics and dresses of the royal court, is striking, stressing the timelessness of dramatic art. In the event the play they perform comes up strongly with a powerful adult actress miming the sensualities of the Player Queen (Nada Strancar) in front of Marthe Keller's beautiful but ineffectual Gertrude.

The other costume surprise comes later. Ophelia appears totally shrouded in black for her mad scenes, deliberately, stumbling over the steps on stage, having withdrawn from the world as it were, into the nunnery prescribed for her. Of the director's fluency of invention and his thoroughness in beating out the hidden meanings of the text there can be no doubt. On this occasion the mysterious component that raises *Hamlet* to a higher power still seemed lacking.

London Festival Ballet gala

COLISEUM

London Festival Ballet's gala on Monday night was in aid of the company's School. A worthy cause, which brought a worthy example of classical dancing at its most ebullient in the debut of Julio Bocca. The showcase for Mr Bocca's talent was that ancient exercise in arching arabesques and harem pants, the *Corsaire* pas de deux, but it served its purpose in giving London a first view of an exceptional danseur.

I have reported with enthusiasm on Mr Bocca's Prince in *The Sleeping Beauty* from New York, and his *Don Quixote* pas de deux from Copenhagen. He is a crackling bravura dancer, with sustained power in the knock-out tricks of his trade. On Monday night there was everything to admire in the passionate energy of his pirouettes and leaps – the shapes he cuts in the air are big, strongly marked. The quality of his movement is electric in impulse: this is dancing shown by lighting flashes.

But the expansion of his style is matched by a no less ardent temperament, albeit the Corsair's manner is cosmetic rather than dramatic. Other roles – he is scheduled to be the Sylphide's James this season – should allow us to savour the range of his abilities.

Mr. Bocca's partner was Trinidad Sevillano, at her most persuasive and sweetly dazzling. There is a generosity and an easy lyricism to her style – arms beguiling; steps phrased to trace their shape fully – which is very touching. No less pleasing her account of a solo in the *Kingdom of the Shades* which opened the evening, and in this Miss Sevillano danced away with the honours of the presentation. She suggests that there is something mysterious as well as classically exact to the *dance*, and Petipa's marvels spring to theatrical life.

Carmen, which came as the centre of the programme, seemed less than vivid in its passions on this occasion. I don't think it suits the Coliseum stage, demanding something more intimate in scale, and apart from Nicholas Johnson's lively bandit, the stylisation was missing that gives meaning to Roland Petit's erotic capriccio. Antoni Clave's great designs, in which the commonplace becomes poetry, are the clue to how wit and sexual nuance must transform the vernacular of every step. The evening ended, so the programme book assured me, with Maurice Bejart's *Bolero*, but I have long since given up supposing my broom will ever clean that Augean choreographic stable.

Clement Crisp

Alastair Muir

Frank Grimes and Sam Cox

A Bright Room Called Day

BUSH

Opening a season of new American plays at the Bush, Tony Kushner's *A Bright Room Called Day* is a somewhat routine and familiar echo of life among the liberals in Berlin as Hitler rushes to totalitarian power in 1932 and 1933. A mélange of Christopher Isherwood and Mnouchkine's *Mephisto*, it charts the stamping out of Communist optimism and acceleration of fugitive paranoia.

These well worn themes are hardly renewed with a really painful attempt at analogising genocidal fascism with the political alignment of President Reagan and Mrs Thatcher. The refractive agent of these smug conclusions is a contemporary Jewish girl, Zillah (Jane Bertish), who perches around the 1930s Berlin apartment with slick anecdotes of returning home for Friday night supper and posting off hate-filled tracts to Downing Street.

There is a difference between the suppression of radicalism and a sense of intellectual impotence, but the play cannot isolate it. Instead, Rob Walker's extremely well cast production assembles in Berlin the emigré Hungarian film director (Frank Grimes), the working-class painter (Judy Lloyd), and the suicidal homosexual (Robin Hooper) only to show them in various states of political disenchantment before getting out.

The outlawing of the Communist Party, the rise of Goebbels and the burning of the Reichstag all flicker around the curious edges of Ana Jebens's wonky cottage set that seems to totter into woodland fairytale. The key link here is a speech of the Berlin actress Paulinka (played with wonderful elegance and bite by Patricia Quinn) about her appearance as Gretchen in *Faust* and an encounter with a real poodle. An old witch out of *Hansel and Gretel* haunts the flat, and Act One ends with the appearance of a blond Devil, Traum (Sam Cox), who is currently based in Hamburg and importing Spanish novelties.

The flat belongs to Agnes, whom Kika Markham portrays as a suffering conduit of everyone else's guilt and lost aspirations. She,too, is an actress, but a politically "committed" one, in semi-thrall to the nutty cineaste who keeps zooming in on Trotsky's final days before *deportation*.

If, as Marx said, history repeats itself first as tragedy, then as farce, Kushner's play hovers uneasily between the two genres. There are odd patches of competent writing, but very little that does not sound false, contrived and characterless.

The drugged Paulinka and the effete and cowardly Baz (Robin Hooper) make the most of the best. She explodes at a Jewish analyst who has *defected without so much* as the courtesy of a final session, while he sadly recounts his distant encounter with Hitler in a movie house showing a Dietrich film, an intellectual assassin's lost opportunity.

Escape routes to Chicago, Russia and Paris suggest an alternative diaspora hardly celebrated in the sluggish contempt of God's new Zillah. Theatricality exists in the lighting of Andy Phillips, but not in the business it flatters with all *manner of livid, devilish* greens and fiery consuming reds.

Michael Coveney

TELEVISION

Programmed to survive

Frank Lipsius describes how American networks are coping with the writers' strike

The American television networks lost another 10 per cent of their audience last year. Staffs were cut accordingly, now that all three networks are owned by financially astute investors. And this year networks are having to cope with the four-month old writers' strike.

The writers' main strike demand, residual payments for foreign sales, shows that Television South, which is buying M.T.M. Enterprises Inc. for \$325m, is not the only one to see the growing value of European television sales. But the writers are also using the issue to insert themselves between the networks and the increasing fees being paid to the production companies.

The writers have proved they are able to obstruct the new season after four months of self-sacrifice (the only strike benefits are interest-free loans from the union). The networks reckon they may lose even more of their declining audience below the 70 per cent of households that now tune in nightly, down from 90 per cent a decade ago. But in the short term, the networks are saving millions on shows that may never prove successful.

The effects on the screen are harder to detect than in the executive suite. A fundamental change is going on, but almost imperceptibly. Only the third-rated network feels the pressure to make large changes in its schedule. This season that network is CBS, which never before has ended at the bottom of the heap.

As the company plans for the autumn season despite the strike, CBS exemplifies programming under the new owners. At \$1.5m, the hour-long drama is the most expensive kind of series. Besides the high production costs, dramas suffer in secondary sales because independent channels prefer half-hour sitcoms and game shows.

Still CBS will offer three new hour dramas this year. *Paradise* is an hour long Western, conveying America's romanticised past in lush California gold-rush country. The title is supposed to be ironic: Paradise, California is dominated by a ruthless mining company and an attractive but rapacious business woman who owns everything from the bank to the brothel. The production is sumptuously filmed in the Sierra Nevada mountains, a fancy horse opera that lacks the kind of compelling hero CBS once had in *Gunsmoke*.

Almost grown is spending its budget on costumes and song licences. The hour long series follows a couple from their first meeting, set to Phil Spector's tune, "Today I met the Boy I'm Gonna Marry" through three decades of love, life and rock 'n roll. The changing hairdo's and accompanying music are more memorable than the characters and plots.

In its heyday, CBS founder and chairman William Paley cancelled still-popular shows in anticipation of changes in the country's taste. Now about 90, Paley is still chairman, but the company is run by Laurence Tisch, an insurance and hotel executive who bought a quarter of CBS's shares to fend off a hostile takeover. Relying on others, Tisch acquired the right of first refusal on the shows produced by Grant Tinker, the former chairman of NBC, who catapulted that network into top ratings before its purchase by General Electric of the US.

The cleverest of Tinker's three new CBS series is *T.V. 101*, the third hour-long drama, about a high school that replaces the school newspaper with televised journalism. An iconaclastic young teacher, played slickly by Sam Robards, has his charges emulate network shows with exposés of chemical waste and parodies of boring classes. The heavy-handed first episode pits the eager young journalists against the school principal.

Tinker also brought CBS a new Dick van Dyke series. The veteran performer was no doubt lured into the project to promote his son Barry, who co-stars in what is pointedly called just *The Van Dyke Show*. The plot follows reality, with an altruistic twist. The father plays an award-winning Broadway actor who takes time out to help his son's career. Until the father arrives, the son's struggling theatre company eschews popularity for ambitious uncommercial productions. As the season progresses, the young man will no doubt gradually trade in his principles for something more useful.

CBS's three other new series have features meant to guarantee success. Mary Tyler Moore stars in an as-yet unnamed half hour series about a liberal divorcee who falls in love with a conservative widower, while in *Murphy Brown* Candice Bergen plays an aggressive, uncompromising television news reporter in the style of Barbara Walters.

NBC has announced that it may change its entire schedule if the writers' strike continues. But CBS will stay with re-runs and news shows until it can introduce its designated line-up. The strike seems an inevitable part of the new regime: owners and executives are trying to squeeze more profits, advertisers are using new ratings systems to prove they do not have to pay as much for commercials, and writers are trying to assert their authority.

Yeomen of the Guard

CAMBRIDGE THEATRE

The new D'Oyly Carte's brace of Gilbert and Sullivan is *Iolanthe*, musically one of the most respectable, and *The Yeomen of the Guard*, generally held to be the nearest thing to grand opera the pair approached.

These effects are achieved not with the grand style but the wistful delicacy of such numbers as "When a Wooer Goes a-Wooing," "A Man who would Woo a Fair Maid" and the hauntingly elusive "I Have a Song to Sing-O" (a descendant of a sea-shanty – according to Gilbert, who helped the perplexed Sullivan by gruffly humming a snatch of melody from its distnt cousin "Green Grow the Rushes-O"). These numbers are well served in the new production; which makes the miscalculations all the more infuriating.

Nadine Baylis breaks with tradition by setting most of Act 1 indoors, in a grim, vaulted chamber of rough stone, which makes nonsense of the strolling players' casual entry, the *thronging mob (rotten security* in the Tower, especially by Tudor standards) and the chorus of Beefeaters who even acknowledge defeat by moving the furniture out of the way during one number. Poky and claustrophobic, the scene finally opens out to a red evening sky for the execution procession, and not a moment too soon. One-and-a-half hours is much too long for a G and S first half, especially when clumsily and fussily staged.

Producer Christopher Renshaw restores the mock-amorous duet for the old sergeant and Dame Carruthers; and the song Gilbert disliked so much that it was cut after the first night in 1888 and never again included in a D'Oyly Carte production, the Sergeant's fond praise of his heroic son. He draws out the dialogue agonisingly. He gives some of the characters cockney accents (which they lose when they sing) which underlines the element of Tudor tea-shop tushery. Phoebe's vamp act in "Were I Thy Bride" is horribly vulgar (though Thora Ker's vigorous redhead is outstanding, a far cry from the part's usual archness). And he gives us the first unlovable Jack Point in history.

This is Eric Roberts, a very *Welsh jester whose volubly* wry wit sounds glibly sanctimonious. For the first time ever I don't care if the heart-broken fool ends up dead or merely "insensible" (the non-committal Gilbert's own word). Terence Sharpe's jailer swallows his words so that one longs for the sing-song drollery of the old company style. Simon Masterton-Smith is a light-voiced sergeant who sounded strained and tired at first.

Deborah Rees, an ex-Glyndebourne Sophie, overcomes marked vibrato to provide a touching climax as the literally bartered bride, while Gillian Knight's old dame rasps away with chest notes to great effect as if she were Azucena. Entrusted with some of Sullivan's most Victorian balladry, *Philip Creasy wavers throatily* under pressure but contributes valiantly to the ensembles. Pitch showed some divergence between unaccompanied singers and the orchestral interpolations in the madrigal-like "Strange Adventure." Bramwell Tovey's tendency to lyrically lingering *rallentandi* is more marked than in *Iolanthe*, and there are plodding moments. Chorus and orchestra are good; but even the latter-day old D'Oyly Carte had *more vitality, frayed and faded* though it was, than this.

Martin Hoyle

ARTS GUIDE July 15-21

THEATRE

London

Too Clever By Half (Old Vic). A fizzing Gogolian production by Richard Jones of Ostrovsky's Diary of a Scoundrel in an old Rodney Ackland version, with remarkable Expressionist designs by Richard Hudson and a brilliant central performance by newcomer Alex Jennings. Until August 13. (928 7616, credit card bookings 261 1821).

Cymbeline, **The Winter's Tale and The Tempest** (Cottesloe). Peter Hall's National Theatre farewell productions return to the Cottesloe for July before opening at the Olivier Theatre in August. Michael Bryant's tetchy Prospero, Geraldine James's adventurous Imogen and Tony Haygarth's sweaty Caliban are the pick of some uneven performances. (928 2252, credit cards 379 4444).

The Changeling (Lyttelton). National Theatre director-designate Richard Eyre pitches in with an exotic though stickily articulated transposition of Middleton and Rowley to a Goyaesque 19th century Spanish slave colony. Miranda Richardson and the black De Flores of George Harris play second fiddle to William Dudley's designs. (928 2252, credit cards 379 4444).

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs a take-over cast including James Wilby and Patrick Barlow. (836 2294, credit cards 240 9661).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair. (839 5989).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, credit cards 379 6233).

Netherlands

Amsterdam, Stadsschouwburg. The English-Speaking Theatre of Amsterdam continues its 10th anniversary summer season with James Saunders' Next Time I'll Sing to You, centred around the Essex hermit Alexander James Mason (Not Sun or Mon). Also: the Els Comediants company from Catalonia with La Nit, a comic cavalcade of giants and mortals who play out their lives under the eye of the full moon. (Until Wed). (24 23 11).

New York

The Man Who Mistook His Wife For A Hat (Alice Tully Hall). Michael Nyman's chamber opera which has drawn enthusiastic crowds since its American première last year kicks of the three-week Serious Fun festival (Thur). (362 1911).

Fences (46th Street). August Wilson hits a home-run with a powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

Washington

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends Aug 7. (254 3670).

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to rousing music and an insistent contemporary beat. Ends Oct 15. (254 3770).

Chicago

Pal Joey (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, follows in haunting melodies the escapades of a classic heel caught between the one who loves him and the rich lady he wants. Ends Aug 7. (443 3800).

Tokyo

Kabuki (Kabuki-za). The kabuki theatre's greatest showman, Ichikawa Ennosuke, stars in a complete version of one of the most famous plays in the kabuki repertoire, Yoshitsune Sembonzakura (The Thousand Cherry Trees). The performance is in two parts, at 11am and 4pm, but the play is little more than a series of loosely linked episodes. Act VII features Ennosuke's portrayal of the fox, Tadanobu, with its magical quick changes, acrobatics, and a climactic flying exit. (541 3131).

Opera-za no Kaijin, better known as The Phantom of the Opera (Nissei Theatre). Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon copy of the London original. The Japanese translation is often awkward, but Andrew Lloyd-Webber's gift for musical pastiche, Harold Prince's romantically evocative staging and Maria Bjornson's stunning sets and costumes make for an enjoyable evening whether you understand the words or not. (503 3111).

Les Misérables (Imperial Theatre). This stirring musical adaptation of Victor Hugo's novel of the Paris barricades has returned to Tokyo for another four-month run. (201 7777).

The Mahabharata (Ginza Saison Theatre). The great Indian epic, dramatised by Jean-Claude Carrière and staged (in English) by Péter Brook and his international troupe of actors from Paris. In three parts, performed either on successive evenings or on a single day. Full of enthralling images of earth, fire and water, but not without its longuers, especially in the final part, which consists of a repetitive series of battle scenes. Ends July 27. (535 0555).

SALEROOM

Pricey personalities

Personalities strode through the London salerooms yesterday, with mementoes of their lives fetching the top prices. At Sotheby's a group of objects associated with Sir Robert Bruce Lockhart sold for £14,300, as against a top estimate of £1,500, while at Sotheby's the watch given by Fred Astaire to his Newmarket trainer was way above target at £18,700, selling to the London dealer Banham.

Bruce Lockhart was British consul in Mosow in 1915 and was later head of the "special mission" there when the Bolsheviks came to power in 1917. Although charged with negotiating with Lenin, Trotsky and the like he was arrested by the Soviets in August and accused of spying and attempting the assassination of Lenin, in cahoots with Reilly, the "Ace of Spies." He was eventually exchanged for Litvinoff, the Bolshevik envoy in London.

It is now assumed that Bruce Lockhart was a spy but he was not awarded his KCMG until 1943 – in the same year as Sir Stewart Menzies, head of MI6. This order was offered in the lot along with a silver cigar box by Asprey, given by Reilly to Lockhart and inscribed "his faithful lieutenant Sidney Reilly."

Top price in the auction was the £14,850 paid for the medals and mementoes of Sir Henry Pottinger who was "Our Man" in China in the 1840s and who negotiated the Treaty of Nanking under which Hong Kong was ceded to the UK. In 1843 he became the first governor of the colony.

The only failure in the auction was the VC, a rare naval VC awarded in 1918 for the Ostend blocking raid, to Lieutenant Commander G.H. Drummond, (whose father composed the music to the Eton boating song). It was bought in at £15,000. The Duke of Edinburgh's Regimental Museum paid £4,180 for an army gold medal for Albuhera, a Peninsular War battle, awarded posthumously to Captain Conway Benning

The Astaire watch was an 18 carat gold effort by Cartier which the dancer gave to Felix Leach Jnr, the Newmarket trainer, in 1929. A steel bubble back centre seconds Rolex oyster which was loaned in 1955 to the Mount Everest expedition was within forecast at £715. It just failed to make the summit.

In English drawings and watercolours at Christie's "A mute appeal," a doggy-cum-cottage picture by Charles Edward Wilson doubled its forecast at £8,250.

Antony Thorncroft

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01–248 8000

Wednesday July 20 1988

Congestion in the air

Mr Paul Channon's decision to open Heathrow to charter flights over the peak holiday period is welcome in view of the long delays experienced by air travellers in recent weeks. But the UK Transport Secretary's announcement undermines the argument that the Government bears no responsibility for the congestion in the skies.

The various players – the airlines, tour operators and aviation authorities – can obviously co-operate more or less effectively; but they can only work within the confines of a system established by ministers. Access to Heathrow may ease pressures only at the margin, but the very fact that an entire class of flights is normally banned from Britain's largest airport is surely symptomatic of an approach to air transport that puts undue emphasis on managerial and bureaucratic solutions.

Price mechanism

Many disgruntled travellers will wonder why greater efforts are not being made to utilise the price mechanism. In most markets, prices rise and fall in response to imbalances in supply and demand. This does not appear to be happening in the market for package holidays to the Mediterranean, or, at least, not sufficiently quickly. If flights cost significantly more at times of peak demand, such as holiday weekends in July and August, many of the present problems would melt away. Safety standards would not be threatened as harassed air traffic controllers strive to co-ordinate an ever-increasing number of flights; and the clamour for noisy night flights and yet more runways and airports in the south-east might die away. The danger in not using prices to regulate temporary surges in demand is that air traffic capacity will be increased to levels that are inefficiently high during the long off-peak periods.

In theory, the congestion could be alleviated by non-market mechanisms. Tour operators, for example, could collectively agree to utilise their aircraft less intensively and simply demand fewer slots. This would raise their unit costs which would then be passed on to consumers in the form of higher prices. Demand for package holidays in the sun would then fall. But the difficulty with this "cartel" solution is that each operator would then have an incentive to cheat – to utilise his equipment more intensively, lower his prices and gain market share. Mr Channon, therefore, needs to look into ways of making airlines and tour operators directly bear the costs of the congestion they cause.

Capital projects

Efforts have to be made to improve the efficiency of air traffic control in the UK. Various capital projects are underway which will enhance the system's capacity. But they will not bear fruit until the mid-1990s. In the meantime, the development of Stansted airport may, ironically, complicate matters. Quite simply, it is in the wrong position: an airport south of the Thames or an extra runway at Gatwick would ease the life of air traffic controllers by reducing the number of flight "cross-overs" they have to handle. The ideal solution would be one giant airport in the south-east with many parallel runways, although that would be environmentally unacceptable.

British travellers must also hope that other European countries, notably Greece, Spain and France, can solve their industrial disputes, which have been extremely disruptive. The Civil Aviation Authority claimed yesterday that 85 per cent of the recent delays were caused by labour disputes abroad. The strikes and working to rule are effective precisely because the techniques for dealing with temporary shortages of capacity are so primitive. The introduction of more flexible market mechanisms, in place of airport queuing, would probably reduce the scope for disruptive action.

The lesson to draw from the recent chaos is that air transport liberalisation cannot be just a matter of deregulating airlines. The provision of airports, runways and air traffic control infrastructure is equally important. In the light of the recent congestion, ministers might also temper their repeated calls for lower fares; the traffic jams in the sky suggest that prices may sometimes need to be higher.

The Dukakis strategy

TO BORROW a phrase from the Reverend Jesse Jackson, the US Democratic Party is keeping its eyes on the prize. For the first time in more than a quarter of a century it has begun to present a united front to the American electorate. This gives it a chance, although not a guarantee, of victory in the presidential election in November. Much of the credit for creating the party's new-found sense of unity must go to the Democratic candidate, Mr Michael Dukakis, whose own reputation is that of being slightly to the left of centre – in American terms a cautious liberal – on domestic issues, and a more or less unknown quantity on foreign policy.

Mr Dukakis first reached out to the right, or conservative, wing of his party by nominating Senator Lloyd Bentsen of Texas as his running-mate for Vice-President. This more than anything signalled his determination to win in November, for the one guarantee of defeat would have been the ability of the Republicans to decry the Democratic Party as the creature of its own left. Then on Monday he reached an understanding with the powerful Mr Jackson, whose predominantly but not exclusively black supporters constitute perhaps a tenth of the potential electorate.

Left-wing policies

This understanding could, however, eventually damage the party's chances of victory. Jesse Jackson, who is the most charismatic of the present generation of American politicians, could not win the presidential nomination because, as a black, he could not expect to attract enough white votes. More importantly, the package of policies that he has pushed for is too far to the left for a party that seeks victory. Mr Dukakis faced the problem of creating a centrist image for the Democrats, while at the same time assuaging the feelings of racial slight expressed by many Jackson followers when Senator Bentsen was nominated. He sought to solve it by bringing Mr Jackson into the fold without taking on the Jackson package of policies.

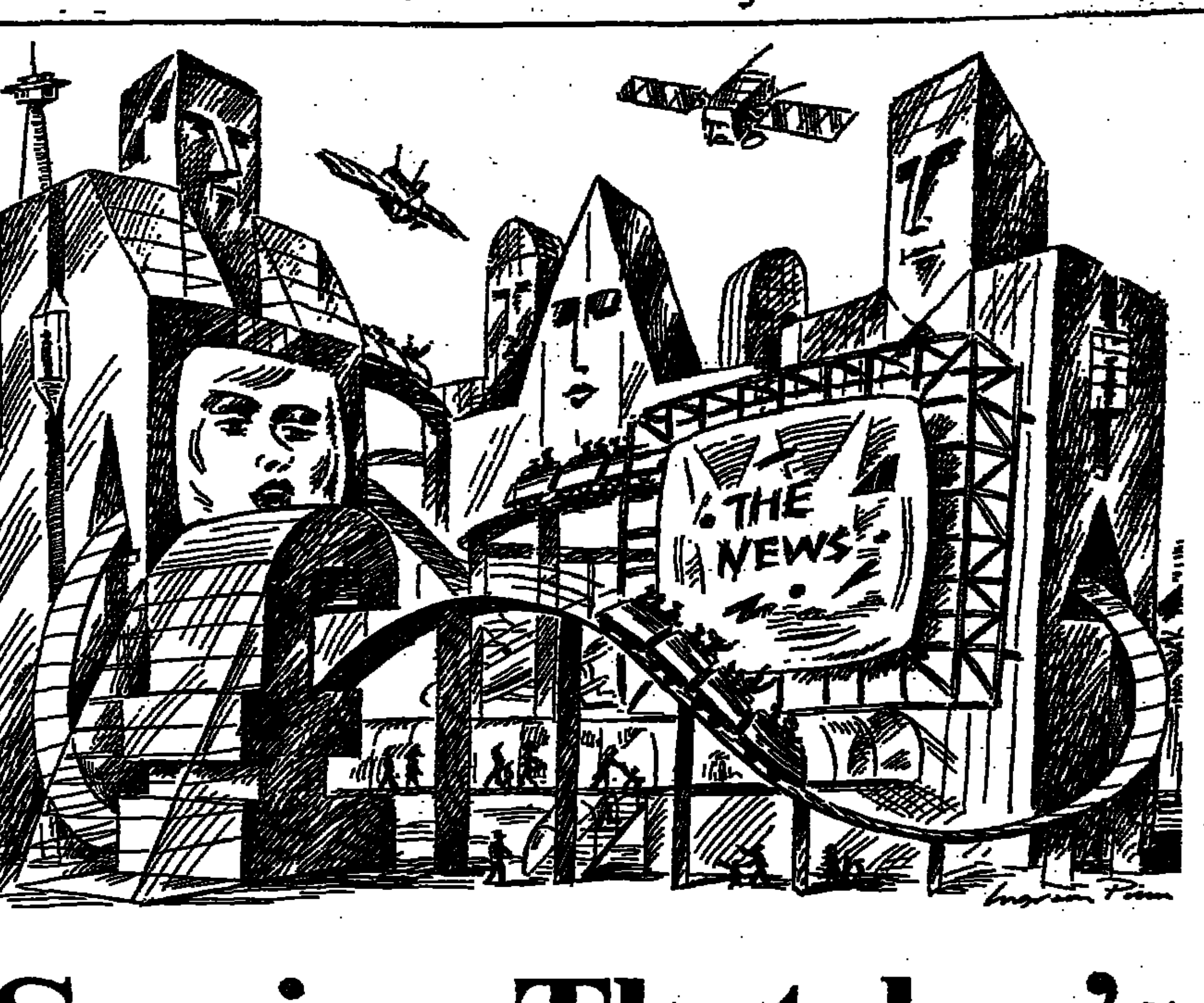
The result has been a public display of Dukakis respect for Mr Jackson, accompanied by plans for a selective inclusion of the latter's representatives. Thus the best of the Jackson staff, in states where they can help most, will be taken on by the Dukakis campaign. Post-election jobs have been promised for some of these people. Mr Jackson has won changes in the party's rules that could make his following even more significant in 1992. But the Jackson policy package has been carefully unwrapped and defused. Only a few of the least contentious items will appear in the Democrats' anodyne election manifesto. Details are absent.

Prudent approach

The Dukakis strategy of unity nevertheless suffers from the disadvantage that white working class voters who have been attracted to the Republicans by President Reagan, might steer clear of a Democratic candidate who may seem to have tried too hard to accommodate Mr Jackson. Thus in the autumn Mr Dukakis will stress the prudence of his approach. He will accept that most voters feel that they have not done too badly under President Reagan, but insist that under a new management, Americans can do better. He will claim to be a more effective manager of the economy than would his Republican rival, and will seek to convince Americans that he can cut into the budget deficit without weakening the country's defences or increasing taxation.

He stands some chance of achieving this. For Mr Dukakis's most visible asset to date is a sense of calm management. He is a man who believes in proper procedures, structure and attention to detail. His performance in Atlanta so far has served to enhance the general perception of these strengths. What is lacking is any more elevated vision. The Dukakis strategy of uniting a Texan vice-presidential nominee with a presidential candidate from Massachusetts is reminiscent of the Kennedy/Johnson ticket of 1960, but only in outward form. Mr Dukakis should lift his eyes from the prize for long enough to tell us why he wants it.

John Lloyd ends his Disestablishment survey with a look at the professions



Serving Thatcher's children

THERE are few areas of public life where the Disestablishment has not penetrated. The churches are perhaps an exception, but their refusal to be corralled into separating God's from Caesar's business at the Government's bidding has led to their being shunted to the side, to become an anti-Disestablishment.

The trade unions have Eric Hammond of the electricians' union as their key Disestablishment figure. If Hammond's logic wins, the fragmentation of the union movement which his pro-enterprise unionism would portend would mean that it could never regain the place once reserved for the organised working class (it seems unlikely, come what may).

The law has been rather more successful than the unions in maintaining its restrictive practices, but disestablishment nibbles at the gowns' hems. Last week's Marre report recommending that barristers lose their monopoly of appearance as advocates in jury trials was met with a collective sucking in of breath in preparation for a great resistance. Solicitors felt disestablished first; they are now able to advertise and have lost their monopoly of the conveyancing paperwork that goes with house sales. Among them, there are signs of a more efficient, competitive approach.

The universities are feeling the hot breath. Lord Jenkins of Hillhead, Vice-Chancellor of Oxford, recently set a figure of £20m to be raised to keep his university in the first rank worldwide. His action showed that he can no longer depend on government for that task, and that he has grasped that voluntary giving can now be mobilised on a big scale. The fees, organisational structures, curricula and standards of academic institutions which have sought to maintain complete independence (while overwhelmingly dependent on public funds) are now scrutinised and questioned as never before. The Government believes that a group of Disestablishment types is emerging from within the colleges themselves, keen to bring the ethics of business into their academic practices.

That most central of academic pursuits, science, is also feeling the commercial lash. Sir George Porter, president of the science Establishment body, the Royal Society, says that the business people who are now appearing on academic and funding committees push the scientists away from pure science in the direction of readily exploitable research.

The public schools, not being dependent on public funds, have escaped government restructuring, are prospering, and still see their products at or near the top. Before the last election, John Rae, the former headmaster of Westminster, looked up the schools of the six most powerful men who attended Cabinet meetings. Nigel Lawson and Sir Michael Havers went to Westminster; William (now Lord) Whitelaw and Sir Geoffrey Howe to Winchester; and Douglas Hurd and Sir Robert Armstrong, then Cabinet Secretary, to Eton – "We were back in the 18th century!"

Mr Rae believes the public schools could have been broken in the Sixties, but only if the comprehensives, which then had a lot of moral capital, had gone for high quality. Now, he says: "The problem is that the best public schools are internationally famous and prestigious . . . it's much more go-getting now. They go for the money-eyed job rather than public service: much less of the Church, army, Civil Service even. Much more towards the City, entrepreneurial companies, media."

The new money, says Rae, is sending its children to public schools. (Alan Sugar, Amstrad's chairman, is, because he thinks they cannot get a decent education in the state sector.) And it knows what it wants: Eton first, Harrow, Westminster, Winchester in the second rank; Marlborough, Rugby, Radley next. The Disestablishment has no allegiance to the public sector in education, no sentiment to cloud a clear-eyed view that money buys better.

The military was thought of, in the 1950s, as part of the Establishment. Its young officer class still goggles, puffy-eyed from drink, out of the pages of the Tatler's social columns, but there has been a shift towards meritocracy. There is still a considerable land-owning element, but it is tempered by men who began as ordinary soldiers and others who have come in from the middle and lower middle classes.

The Civil Service was thought of as the essence of the Establishment. Here there have been big changes. On the testimony of senior civil servants, and of business people with whom they regularly confer, the Civil Service has been dynamised, if not dynamited. Two civil servants, quite separately, used the same formulation: "We've become a 'can do' service."

The most fundamental disestablishment of the service is this: the ethic of the new men and women (more women are reaching senior jobs quicker – in part because the clubby atmosphere which favoured men is disintegrating, in part because high-flying men are being creamed off by the City and industry) is that they serve the Government, not the nation. Says one deputy secretary: "The changes are quite striking. The Civil Service no longer functions as the guardian of the nation's values: it is much more managerial."

Much of this has to do with the Prime Minister. All of the present permanent secretaries were appointed under her premiership. The committee of permanent secretaries, chaired by Sir Robin Butler, which appoints deputy and permanent secretaries, now regularly has its candidates queried, knowledgeably, by the Prime Minister.

The recent retirement of Sir Brian Cubbon from the Home Office (he was appointed in 1979) and his replacement by Sir Clive Whitmore (who served as the PM's private secretary from 1979-82) is seen as the last change from the old guard to the new. The new guard has sought to break the class division between policy-makers and managers by making all senior grades capable of both. It has encouraged women by offering flexible hours to those with children. And, crucially, it has mixed outsiders – mainly business people – with civil servants. The youngish high fliers in the Treasury claim their motivation has never been higher. To the charge that they have been Thatcherised, they say yes, but not in a political sense. Says one: "If I were Neil Kinnock I would be pleased by this. It will mean that, if and when he is Prime Minister, he will have a better managed, more responsive service."

In the 1950s, when the concept of the Establishment was formulated, the BBC was seen as an indisputable part: a corporation moulded to deference by John Reith. In the 1960s, the BBC ceased to be deferential and from then on, the media as a whole hugely expanded their power to disestablish the society which they claimed to mirror. For if the market has been the engine of the Disestablishment, the media have been its lubricant. The 1960s BBC (spurred on by the ITV companies, often in the van) appeared itself to disestablish.

But – so fast is the turnover of media fashion – that it is now the Establishment. The Disestablishment sees it as élitist and tired, and the radicals are planning to use game show techniques to woo mass audiences for current affairs.

The 1960s radicals essentially preserved the Reithian notion of serving the whole nation, but greatly widened the scope and the content of the diet. The broadcasting Disestablishment is distrustful of any approach which smacks of giving people what is good for them: it is thus more inclined to fragment the output, filling the mass viewing hours with mass-taste programmes, pushing the élite's choices to off-peak times.

John Birt, the BBC's Deputy Director general, was hired with a brief to preserve (if he could) public service broadcasting. In doing so, he has become the disestablishing agent for a BBC establishment which was symbolised by the departed and bitter figure of Alasdair Milne, the former Director General.

A working class Liverpudlian, Birt has identified the old BBC values as "crudely, thoughtlessly anti-Establishment". He seeks to insert a culture which uses thought, ideas and rigorous analysis to enlighten current events, deferring neither to authority nor to anti-authority. In doing so, he has already courted the charge that he is acting solely in the interests of presently established power. Crucial to his and to Michael Checkland, the Director General's project, is a similar posture to that adopted by the civil servants: a recognition that the Governors govern and that editorial freedom is not an abstract value, but a privilege earned by unassailably lucid reporting.

These shifts are only comprehensible within much larger movements. Television is set to become multi-channel, largely through satellites. Choice will become much broader, which means the BBC/ITV duopoly is no longer sustainable. For the public service ethic, the barbarian is at the gates: he is called Rupert Murdoch. Utterly an outsider, he is pushing newspapers towards populism and to a right-wing political stance which sees everything else as "wet" (a favoured Murdoch word).

He has in Australia, the US and the UK, used his power and wealth to affront and scare established, liberal media values. He has taken the line of the old rock song – "Whatever you want, whatever you need" – and made it flesh, across the globe. Within his operations, the disestablishment values – materialism, efficiency, hedonism, internationalism – find their supra-national expression, even as many of his publications are raucously nationalistic.

No part of the old media establishment can withstand this kind of pressure. British publishing, once a cottage industry which dispensed sherry and meagre salaries to the well-connected, has been mobilised or destroyed under conglomerates largely based in the US. Ed Victor, the transatlantic agent, a Jewish New Yorker half-based in London, cut his teeth in the 1960s to become a multi-million dollar man. "When I started, a contract was a memo: now it's a hundred pages."

To set the seal on their arrival, this part of the Disestablishment chose to establish a club of their own: in part because many of them were women and the Establishment clubs refused them membership. Victor, with publishers Liz Calder and Carmen Callil, founded the Groucho in Soho (if you don't know why it's called that you shouldn't join) where the media Disestablishment eat good food in art nouveau-ish surroundings. On a recent visit, Victor shared a table with Alan Yentob (Controller of BBC 2) Michael Green (whose Carlton Communications group is coming up fast on Murdoch's heels) and Richard Neville, (now an Australian TV host, who helped the Sixties swing).

The media are now able now to make super-heroes in days, to marshal and dragoon taste and consumption patterns which can create and destroy industries, to make of much of public life a febrile patchwork of action and reaction. It is caustic about an Establishment which saw its coming with horror.

Lynne Franks, whose public relations agency is the trendiest in town, recently told a marketing conference that "Thatcher's children" were consuming as early as age eight, largely because of TV; that the 13-16 year olds constituted a sophisticated, aware market with their own network of cults and heroes and publications; and that they were "not playing with toys any more." If even childhood is being disestablished, what can withstand it?

The monarchy? None of the disestablishers has refused a royal invitation: the great Disestablisher herself, though she and the Queen bear each other little affection, curtseys lower than any. I found only one exception: when Branson of Virgin Group received a card to the royal garden party, it was addressed to "Mr and Mrs Richard Branson." He telephoned to say he and his lady were unmarried; a card came back for him alone. There is life in the Establishment yet.

Guessing an oil price

■ The sudden ceasefire in the Gulf war has left oil analysts on both sides of the Atlantic remarkably divided, but they are not so much split among themselves as divided in their own minds. It all depends on the politics, they say.

Precedent suggests that if the ceasefire holds, there will soon be oil glut as both Iran and Iraq increase production in search of new revenues. Mike Ameen, recently retired President of Mobil Middle East Development Corporation and still one of the most sought after analysts, says that Iraq could practically double its output within six to nine months. He thinks that prices went up on the news of the ceasefire on Monday because people did not really believe it at first.

Charlie Maxwell, senior energy strategist at CJ Lawrence/Morgan Grenfell, points to the glut that already exists and agrees that it will probably increase in the short term. But he is also debating with himself. "Intuitively," he says, "I think that OPEC will take its opportunity to pull itself together and we'll be at $18 a barrel by around December."

David Gray of James Capel in London says that those who argue that the price is bound to come down because the oil producers rarely agree among themselves, but adds that that is not what the market is saying: the price is staying up.

According to Maxwell, two things have to happen if his intuition is to be proved right. Iraq has to come firmly back into OPEC and the over-producers have to agree to cut back. It used to be the weak countries, like Nigeria, who cheated on the quotas, he says. Now it is the strong ones like Saudi Arabia. Yet the Saudis could easily cut down if they want OPEC to work. On the whole he thinks they do.

OBSERVER

Ameen spent 20 years in Saudi Arabia and is less sure. All agree that oil forecasting in demand. And the Americans still have a certain deference towards the British for their knowledge of Middle East affairs.

Jackson 1992

■ One of the nicest political buttons of all time was "Mondale eats quiche" – a real American insult.

This week's Democratic Party Conventions in Atlanta, by contrast, has been pretty quiet on the button front. There is a certain amount of "Jackson 1992" and someone has inserted an "I" before the "s" in Bush and added two dots at the end. The most strident, worn mainly among fringe groups, says: "Die yuppy scum."

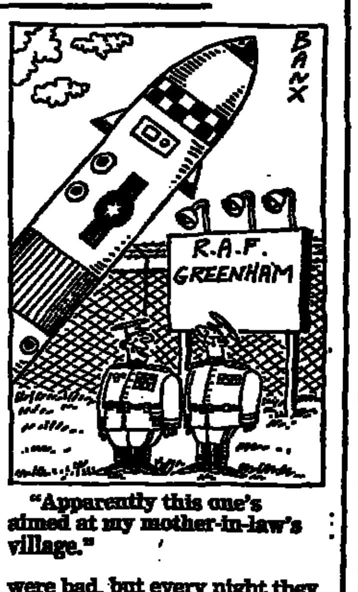
Commons losses

■ The House of Commons reports that it is losing around £43,000 worth of parliamentary cutlery and crockery every year.

A member of the Financial Times staff who used to work in in the Commons catering department assures us that it is not the MPs who are guilty – or at least not directly. MPs can be deeply unpopular with those who cater for them: refusing to talk about the finer points of monetary policy, for example, with student waitresses. But it is the temporary staff who do the pilfering, and especially the Australians.

It may have been cut back a bit now because of greater security, but what you used to do was to register at a particular London employment agency and wait for the call to service at Westminster. Australians loved that. The wages were bad, but every night they would walk out with quantities and of crockery and cutlery. The House of Commons bone china milk jug was a particularly fine prize.

Our colleague says that a three week stint in the Commons catering unit thus became almost *de rigueur* as part of the young Australian's European tour. And if MPs want the stuff back, they should have a look round Melbourne and Sydney.



"Apparently this one's aimed at my mother-in-law's village."

Professionals

■ BBC Radio 3 produced a gem from the archives on Monday – a conversation between Raymond Chandler, the creator of Philip Marlowe, and Ian Fleming, creator of James Bond. It was recorded only a few months before Chandler's death; thedefects in the quality of the sound add to the appeal. Rarely can two fellow professionals so effectively have sized each other up: Fleming, the quintessentially polite Englishman ackowledging that Chandler was the better writer.

"I find it extremely difficult to write about villains – really good solid villains," Fleming said. Chandler said: "It's almost impossible to imagine a really bad man who's not a psychopath." Fleming talked about "my chap", meaning Bond; Chandler came in with lines like: "Wives of policemen don't have a very good time in America." There were repeated pauses. They don't seem to make programmes like that any more where you can people thinking.

The 100th anniversary of Chandler's birth is this weekend.

Anglophile

■ "I'm not becoming an expatriate," says Warren Platner, the American architect. Yet he emerges in conversation as a distinctly conservative anglophile.

Platner is in London at present and open to new commissions. His first London work – Sea Containers House for James Sherwood's Sea Containers Group – is nearing completion by Blackfriars Bridge.

"London is a horizontal city," he says, "and ought to be kept so. It's probably a mistake to permit exceptions and allow high tower blocks." He also claims that the authorities in Britain are more reasonable towards architects. "In the US they can be very arbitrary." Moreover, he insists that British workmanship is excellent, especially in woodwork.

Curse of golf

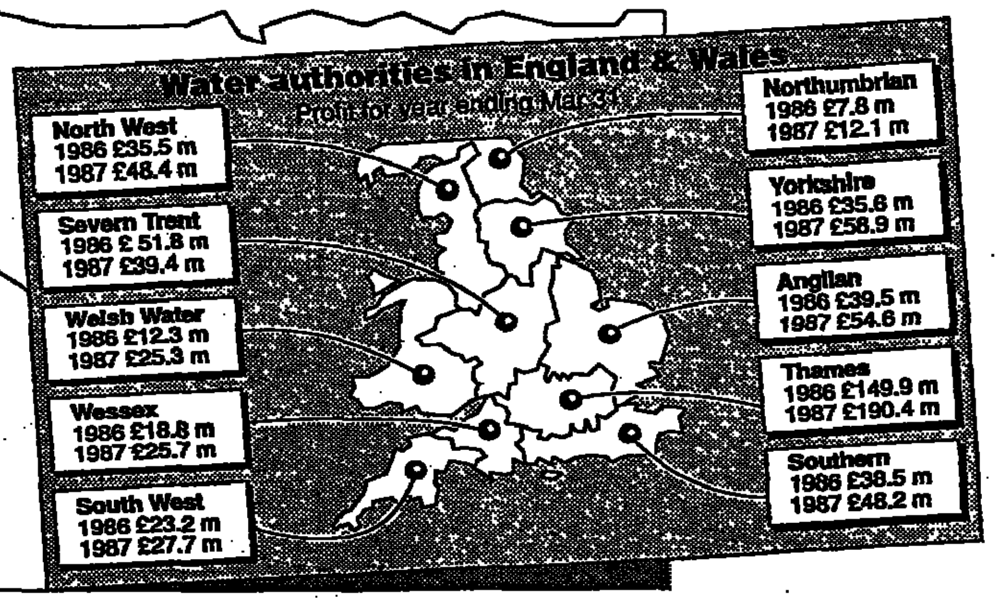
■ Last Saturday's FT carried a property ad for a "unique timbered Tudor period style residence with river frontage close to the Golf Curse."

A reader points out that it must have been put in by the widow of a golfer.

Back in the privatisation pool

Richard Evans reports that in Britain's low-key water industry the sell-off tempo is quickening

Average household bills 1988/9 Total water services	£
Anglian	135.43
Northumbrian	94.63
North West	99.44
Severn Trent	97.66
Southern	115.82
South West	128.39
Thames	92.83
Welsh Water	134.57
Wessex	125.49
Yorkshire	105.30



After a botched attempt two years ago, the water industry is finally about to speed up its progress towards privatisation. The tempo of preparations for selling off the industry in England and Wales, perhaps the most contentious of all the Government's privatisation measures, is quickening sharply. In recent weeks, two regional water authorities have taken strategic share stakes in a *handful of the smaller "statutory"* water companies, which already operate in the private sector. Big French water companies, such as Générale des Eaux, have also been paying premium prices for stakes in the companies.

In Whitehall, Mr Nicholas Ridley, the Environment Secretary, has decided that the state-owned portion of the industry – which provides roughly 75 per cent of clean water in England and Wales and all the sewerage services – must get its act together if there is to be a successful privatisation by the planned date of late next year.

He has invited the chairmen of all 10 water authorities in England and Wales to join him at a press conference at the Environment Department today to present their reports and accounts for 1987-88. It will be the first co–ordinated presentation in the industry's history.

In previous years the accounts have dribbled out in the ten regional centres. Tomorrow's meeting symbolises the way Mr Ridley is trying to change old habits. But his task is not an easy one

The industry has no central hierarchy like British Coal or the Electricity Council. It is run by the regional authorities, whose chairmen operate at times like medieval barons.

The press conference is the first overt sign that the Government, increasingly exasperated by the squabbling and absence of co-operation among the industry's leaders, has told them to sink their differences and co-ordinate preparations for flotation.

The industry has come a long way in the three years since privatisation was first mooted. Operating profits have soared to a total of £737m, with every authority reporting an improvement on last year, and efficiency has continued to increase.

But many difficult decisions have still to be taken before flotation. The timetable is for a privatisation Bill to be introduced at the beginning of the next session of Parliament in November. It is still on schedule, despite the withdrawal of Kleinwort Benson as financial advisers to the Water Authorities Association because of a conflict of interest.

The Bill should reach the Statute Book around next July, allowing the 10 authorities to become water service public limited companies (WSPLCs), but still wholly owned by the Government. Flotation would then follow around November 1989, almost certainly in a simultaneous sale.

If successful, it will be a remarkable achievement. Water, regarded as the *archetypal public service*, seemed one of the less likely candidates for the Government to choose in its search for suitable assets to sell. But with assets valued at £27bn and combined operating profits up by 27 per cent in a year, it has become too tempting a target to ignore.

The original scheme, to privatise the authorities as they stood, had to be abandoned in July 1986 following protests from the Confederation of British Industry, the Country Landowners' Association and others that the scheme would allow private companies, the WSPLCs, to regulate all others, the water users.

The new formula, pushed through against vociferous opposition from – among others – Roy Watts, chairman of Thames Water, divides the industry in two. It abandons the concept, much admired abroad, of integrated river basin management under a single regulator-cum-operator.

Now, all regulatory functions, covering the issuing of extraction licences, environmental quality and pollution control, land drainage, fisheries, conservation and recreation, and navigation, will stay in the public sector under a new quango, the National Rivers Authority. The privatised WSPLCs will be responsible for water supply and sewage disposal.

The NRA, with a small headquarters but between 5,000 and 7,000 staff throughout the regions, will be the dominant regulatory body. But there will also be other regulators: the Director General of Water Services (in charge of pricing policy); the pollution inspectorate; the Monopolies and Merger Commission; the Environment Department, retaining residual powers; the Agriculture Ministry; and above all, the European Commission, which has been taking an increasingly stringent line on pollution control and water quality.

The industry's leaders believe it is essential that in the detailed negotiations still to come, it is only the core activities that are heavily regulated, leaving the WSPLCs to extend their activities with the same freedom as any other private company.

Regulation aside, there are many difficulties still to be tackled. Two stand out: deciding exactly how the industry will be floated, and restructuring the authorities' balance sheets.

Because of the scale of the flotation, the Government's initial scheme was to do it in three phased batches, mixing big authorities with small, and good with not so good.

Kleinwort Benson, advisers to the WAA until this month, has suggested instead a complex formula involving the simultaneous flotation of all authorities if necessary, but allowing for a split into the 10 constituent parts, each with a Stock Exchange listing and separate identity. This scheme now appears to be winning the Government's favour.

The 10 authorities are expected to fetch between £5bn and £7bn. The flotation is expected to go through shortly before the much bigger electricity privatisation. So the Treasury is expected either to retain 49 per cent initially or to spread the sale over a period, as with British Gas.

On the balance-sheet side, there will have to be a big write–off of debt, which currently totals £5.2bn. Some of the more prosperous authorities, such as Thames, will be free of net debt by the end of the current financial year. They will probably have some debt loaded on them. But most of the authorities have substantial debt burdens because of the need to replace Victorian sewers, clean up beaches and improve water quality.

North West Water, for example, has an effective gearing of 75 per cent on net assets of nearly £1.3bn and will have to spend over £5bn in the next 25 years to get its infrastructure up to scratch.

A continuing anomaly in the structure of the industry is the presence of the 29 statutory water companies. At present their profits and activities are strictly regulated by statute. Like the authorities, they will be able to convert to profit–making plc status. Hence the remarkable recent interest in their shares shown by French water companies and some of the more aggressive authorities.

Once the WSPLCs obtain their commercial freedom, they face a number of challengers – including how they will charge their domestic customers. Domestic rates, the present basis, are to be replaced by the community charge or poll tax in April 1990. Water charges can continue to be based on rates up to the year 2000, but most of the industry wants people ultimately to pay for what they consume, as commercial customers do. This means the introduction of metering – politically a potentially unpopular development.

The WSPLCs will face opportunities as well, however, such as the chance to develop spare land, improve efficiency by cutting the high incidence of leaks, developing new lines of profit. Many decisions remain before flotation, and the industry is caught between apprehension and excitement.

Europe's monetary framework

Why Britain must not get left behind

By Michael Heseltine

ONE DAY Europe will possess a comprehensive financial and monetary framework. Other Community governments wish it and the 1992 market will be real only when it exists. We can influence the process or, repeating post-war mistakes, allow events to drag us into arrangements designed for our partners' convenience.

Countless Community citizens travelling ever more freely across today's frontiers are not going to tolerate the rip-off of exchange dealers. The European industry without frontiers of the next century is not going to keep its books in 12 different currencies. We can try again to slow development, *but this time we are gambling with London's supremacy* as a financial centre.

Technically, the exchange rate mechanism (ERM) and our attitude to the Delors Commission are not linked. Britain could leap a stage and without joining still play a positive role in the arrangements which will flow from Delors. But such clinical simplicity ignores the cause of the controversy over EMS. Details are hurdles to some, trenches to others. Europe believes we have dug in. Psychologically and politically "they've heard it all before".

We will never play our full role if we stay outside the institutions of Europe and complain of their discrimination. It is almost surrealist to look at Europe's leading economies today, with lower interest rates and lower inflation than ours, and suggest that German rigidity underlying the ERM is incompatible with Britain's economic self-interest. Nor can *it be argued that the EMS has* not delivered its primary objective. ERM currencies have fluctuated much less against one another than against the American dollar. By comparison, the pound has ridden a roller-coaster. A \$2.45 pound in 1980-81 was partially responsible for a 20 per cent contraction in manufacturing and rapidly rising unemployment, whilst the \$1.04 pound in 1985 threatened import price inflation.

The EMS is compatible with two of our most important macro-economic objectives: low inflation and exchange rate stability.

Opponents point to low growth in EMS countries. But, as the Centre for European Policy Studies explains, these low growth rates are attributable to large public sector deficits, not to the EMS.

Sterling's status as a petrocurrency is another overstatement of a vanishing truth. Oil now accounts for only 2.5 per cent of our GDP. In the first quarter of 1986 the price of oil plunged by over 60 per cent but the trade-weighted value of sterling dropped by a mere three per cent. Where is our petrocurrency?

It is argued too that sterling's position as a widely held currency of investment renders any monetary control futile. Again this does not match reality. The pound, once the second-most widely held currency in the world, has fallen behind the US dollar, the D-Mark, the yen and the Swiss franc.

Finally it is said that the ECU – as a weighted average – puts the UK at a disadvantage because it excludes trade with the US and Japan. But our pattern is changing as Britain increasingly trades with her European neighbours – a process which can only accelerate after 1992.

Technically possible though it may be to separate our refusal to join the ERM from the wider issues of monetary union, the familiarities of day-to-day working practices within the EMS will be the building materials from which *tomorrow's institutions* will be constructed.

For the moment London has captured the position of the third commercial centre of the world. A major American and Japanese presence is a manifestation of that success. But, to make permanent that success, London must house the institutions which develop to "manage" Europe's economy.

We will not achieve that by sitting on our hands whilst European monetary, banking and currency arrangements emerge from the self-interests of Germany and France. Over the coming years every political pressure will be applied to those foot-loose financial loyalties to desert us for the home *of the D-Mark or another European* banking centre.

European monetary union flows as a consequence of a common market by 1992. The Single European Act calls for the liberalisation of the flow of capital by 1990. To achieve free-flowing capital and stable exchange rates in Europe, the countries of the Community must conduct similar monetary policies.

Exchange rates have been managed by the EMS in large part through controls on outward capital movements; in 1990 those controls will disappear.

Suspicion then by investors that EMS exchange rate parities needed readjustment would encourage money to flee from weaker to stronger currencies. Interest rates in weak-currency countries would take the strain. Economics and politics then collide.

The EMS, in pursuit of exchange rate stability, would opt for politically damaging high interest rates with all their deleterious effects on investment, growth, output and employment.

National governments would come under *political* pressure to sacrifice exchange rate stability. But this defeats the concept of a single market.

And thus the dilemma.

If a non-reformed Europe turns in one direction she faces the prospect of interest-rate induced recession. If she turns in the other she sacrifices exchange rate stability.

The right way forward is carefully and cautiously to explore options for European Monetary Union, the eventual establishment of a central European bank and a single European currency available alongside national currencies.

No one imagines that these objectives can be achieved overnight. The first steps will *be voluntary, arising from* political directions to sovereign national central banks. But these shared experiences will increasingly lead to harmonisation of decision and practice. Ultimately such shared experience of co-operation should be consolidated in more permanent arrangements.

A leading French newspaper spoke for our partners when it wrote recently: "Paris is ready to promote an accord without the United Kingdom if it is so necessary."

To ignore these as empty words is simply a formula for emptying our pockets.

The author is Conservative MP for Henley

LETTERS

Rewriting the news

From Mr Derek Smyth.

Sir, I should like to rewrite the opening paragraph of Joe Rogaly's report "Preaching femininity and divinity" (front page, July 18).

"I have news for Joe Rogaly. He ought to have been at Canterbury Cathedral on Sunday morning. The first thing he would have seen was a long queue to get in. These queues *do* exist outside Dr Runcie's churches."

Derek Smyth,
269 Canterbury Road,
Kennington,
Ashford, Kent

Do not deny the importance of team briefing

From Mr Andrew Sargent.

Sir, It is a great shame that the Post Office's employee representatives have decided to take a stance against the duty of their employers to put to working people in the picture about the state of their business ("Team briefings that sometimes fail to unite", July 14).

Many people will be horrified that the Post Office is confronted with such a problem. The fact is that the Post Office (rightfully in the opinion of many people) enjoys a closely guarded monopoly on the delivery of what every citizen regards as his or her right – the post.

Surely nobody can deny the importance of communication at work for every employee. All that team briefing is meant to do is to ensure that people at work are kept informed about what is happening in their business and why, on a regular basis. It makes no sense at all to deprive employees of information. Without information, nobody can work effectively. Furthermore, it cannot be denied that it is the job of managers to tell people what is expected of them.

It is not a question of bending people's minds with political arguments. It is simply a case of presenting in an understandable form what has to be done and how to do it.

Many British companies which do not enjoy the monopoly of the Post Office – including British Telecom, Tesco, Amoco and Lynk Express Delivery Network – have already found that the simple process of ensuring that supervisors and their teams talk about the business, on a regular basis, has been good for shareholders, employees and the enterprise.

That is all team briefing ever set out to achieve.

Andrew Sargent,
38 Chalkwell Avenue,
Westcliff-on-Sea, Essex

Clarifying the state of law and order in Malta

From the High Commissioner of the Republic of Malta.

Sir, In the article entitled "US visit emphasises Malta's tilt to West" (July 12) Godfrey Grima makes two completely unfounded assertions about the state of law and order in Malta, in an effort to support his manifestly absurd contention that the "island is being governed by two parties not one".

At no point during the Ark Royal's visit to Malta did supporters of the Labour Party even seek to "gain control" of the island's grand harbour. In an effort to disrupt the visit, dockyard workers made two attempts to block access to the harbour. The harbour facilities remained, however, under the full control of the the proper authorities without interruption, as is clearly demonstrated by the fact that the main obstacle was removed only a few hours after its installation. Subsequently, the visit took place successfully at St Paul's Bay, as the government had pre-arranged in order to avoid clashes between rival supporters.

The reference in the last paragraph *to opposition protests* in connection with those charged with violating voting laws during the May 1987 elections is seriously flawed in two major respects. Under no circumstance could the opposition protests in the streets of Valletta, on one particular occasion, justify the conclusion that the city "fell into the hands of Labour supporters". Furthermore, your correspondent fails to record that the *due process of law against* those charged continues to this day.

John A. Manduca,
Malta High Commission,
16 Kensington Square, W8

'There seems little doubt that a major ecological switch has begun'

From Mr Neil Ostrom.

Sir, I have been concerned for some time by the changes which we are causing in the environment. I was therefore interested to read Clive Cookson's thoughtful appraisal ("Time to fight the greenhouse effect", Lombard, July 14).

There seems little doubt that a major ecological switch has begun. The daily weather charts for northern Europe reveal continuous vast areas of cloud which are regarded as normal. They are not. The sequence of summers with above-average rainfall which we are experiencing in north-west Europe supports the evidence of climatic change. Although at least one set of charts was crystal clear, the failure to contemplate – let alone forecast – the climatic hurricane in October indicates a refusal to admit that which does not suit us.

Wet summers followed by mild winters (as happened in 1987) will continue for several years until the weather patterns which these bring move northwards in response to the global warming created by the greenhousing of the upper atmosphere. Later, there will be a longer period of increasingly humid sub-tropical conditions as sea temperatures rise and polar ice reduces. After this, it is anybody's guess.

We should consider the possibility that our living, breathing planet, in response to recent attempts to clean up our act, has decided that the theatre is in need of a facelift.

Neil Ostrom,
Priestfield, Watts Lane,
Chislehurst, Kent

From Mr Jonathan Stern.

Sir, Clive Cookson (Lombard, July 14) fails to note that carbon dioxide emissions from natural gas are roughly 50 per cent less than those from a similar quantity of coal and roughly 30 per cent less than those from oil.

Although it may be correct that energy conservation and efficiency, combined with renewables, may be a longer term (30-40 year) solution to the greenhouse effect, a switch to lower carbon dioxide emitters such as natural gas might be a politically acceptable transitional measure. With an abundance of gas at attractive prices available to a large number of developed and developing countries, this would be a much more attractive measure for governments than forcing dubiously *economic nuclear* power stations on voters.

Jonathan Stern,
The Royal Institute of International Affairs,
10 St James's Square, SW1

From Mr Andrew Warren.

Sir, Clive Cookson concludes (July 14) that we need a comprehensive programme for conserving energy effectively.

How do we achieve effective implementation of this goal? Inevitably most nations delegate such programmes to a government ministry predominantly concerned with the interests of energy suppliers. Wider issues receive short shrift, being regarded as beyond that department's demarcation lines.

For some years Britain has had the formal objective of becoming "the most energy-efficient nation in Europe". The Prime Minister herself has identified the potential to save £7bn each year in fuel wastage. Perhaps if that £7bn could also be expressed in terms of reduction *of sulphur oxides, nitrogen* oxides or carbon dioxides, then we might stand a chance of introducing a comprehensive conservation programme.

But we must not underestimate the difficulties which the vested interests will impose upon such a programme: after all, it is now 10 years since the then president of the US described the need to conserve energy as the "moral equivalent of war". How far have we progressed since then?

Andrew Warren,
Association for the Conservation of Energy,
9 Sherlock Mews, W1

FINANCIAL TIMES
Wednesday July 20 1988

French caution over liberalising telecoms

By Paul Betts in Paris

THE NEW French Government intends to adopt an extremely cautious approach to the deregulation of the telecommunications industry, in sharp contrast to the previous right-wing administration's zealous commitment to the process.

Mr Paul Quiles, the Telecommunications Minister, said yesterday that his priority would be to strengthen and modernise France's public telecommunications service. He spoke of a rebirth of "the concept of the public service".

He added he had no plans to change the special legal status of the French telecommunications authority, which the previous Government wanted to transform into an ordinary state-controlled company.

While he acknowledged that the process of deregulation could not be halted, he said he would adopt a much more prudent attitude to it than his right-wing predecessor, Mr Gerard Longuet.

The new Government has continued many of the free market policies of the conservatives, and several leading Socialists have expressed concern at what they feel is a rightward drift. But Mr Quiles's statements yesterday suggest that the Government has retained many regulatory instincts.

The Minister said he did not intend to cancel the previous administration's decisions to open up to competition some sectors of French telecommunications such as value added voice and data networks. But the present Government would be very careful before liberalising new areas to avoid the risk of what could turn out to be "economic catastrophes".

He argued that a too brutal and uncontrolled a process of deregulation risked undermining the quality of French telecommunications services as well as weakening France's international competitive position. It was important to reinforce France's competitiveness in telecommunications by strengthening and modernising the public service.

A former Socialist Transport Minister, Mr Quiles said he was anxious to avoid seeing the same errors made in telecommunications as had been made in the airline industry. For this reason he had insisted that the European Community's Green Paper on the future of European telecommunications include a clause stating that governments should retain special authority over their country's basic telecommunications services.

He also suggested that new integrated systems digital networks (ISDN) should be considered as basic services.

Europe had to create a strong telecommunications industry to compete against the Japanese and the Americans, said Mr Quiles. This could be best achieved if Europe had strong individual public services.

The recent decision of the French telecommunications authority to set up with the Bundespost a joint subsidiary to offer new value added telecommunications services was a good example of bilateral co-operation in Europe.

Mr Marcel Roulet, the head of France Telecom, the French state telecommunications body, also disclosed yesterday an imminent agreement between several European telecommunications authorities to acquire control of the Infonet data switching system from Computer Science Corporation.

Greece lifts veto on EC farm price deal after concessions

By Tim Dickson in Brussels

GREECE last night agreed to lift its veto on the 1988/89 EC farm price package, after a compromise proposal held out the prospect of additional financial support for its farmers.

The deal was greeted with relief in Brussels where Athens' continuing block over the package has been casting a cloud over the country's six-month presidency of the European Community. Greece agreed to lift its block on the farm price package on the basis of a statement that provides for a review of its problems, Greek farm minister Mr Yiannis Pottakis said.

Under the deal, worked out on the second day of a farm ministers' meeting, the package as agreed in Luxembourg on June 17 stands, but Athens has been given a pledge that its problems will be reexamined at a later date, as yet unspecified. The text gave Athens a guarantee that the vexed issue of "green" currency adjustments, which will boost Greek farmers' incomes, would be re-examined with a view to further fine-tuning in Greece's favour, Mr Pottakis said.

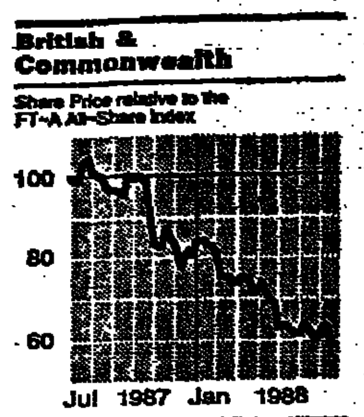
"This text confirms that additional action will be taken in favour of Greece," he said.

Greece's 11 partners accepted a deal in Luxembourg on June 17, and their part of the package stands as it did then. Athens won a subsequent concession, but blocked ratification of the deal, disputing interpretation of the final text.

THE LEX COLUMN

B&C's ocean of troubles

There was little enough patience around in the City for British & Commonwealth Holdings even before attention was again drawn yesterday to this year's worst performer in the FT-SE index. What good feeling remained turned rapidly to annoyance when the small print of the statement announcing a relatively puzzling bid was found to contain a health warning about B&C's own profits.



Pound for pound, B&C's £407m offer for Atlantic Computers seemed to provide the least of the offence, but it was not exactly applauded for all that. Atlantic may be able to point to a record of strong profits growth, good cash flow and solid management; but the market's prejudices are stronger than its knowledge about the computer leasing sector, and Atlantic was deemed to merit a more suspicious rating than the 11 times prospective earnings which B&C is proposing to pay for it. The argument that the deal would allow B&C effectively to swap Bricom's earnings for the cheaper, slightly better and marginally more predictable earnings of Atlantic did little to sway those who found the issue of another 32m B&C shares distressing.

Suspicion based on the lack of transparency of computer leasing earnings is probably not justified in the short term – at least until the leasing market stops growing at a pace to mask all blemishes. But it is difficult to argue with those who feel that their suspicion of B&C, whose shares have lost 50 per cent of their value relative to the market over the past year, was vindicated by yesterday's indication of flat first half profits.

Those who were not annoyed by the deal seemed merely bored; with the Atlantic purchase out of the way, it is difficult to see what else John Gunn can go for in the short term to enhance the company's image, not to mention its earnings.

Currencies

The combination of some fairly aggressive central bank intervention and a further tightening in West German interest rate policy yesterday prevented the dollar from testing the DM1.90 level. But it would be foolhardy to suggest that the world's central banks have regained the initiative in the foreign exchange markets, or that the next three months are likely to see a resumption of the unusually calm conditions which prevailed during most of the first half of the year.

There has been little sign yet of the sort of concerted intervention which stemmed the dollar's fall at the start of the year; and the recent behaviour of several of the major players indicates that domestic considerations are once again taking precedence over the quest for currency stability, indicating a turbulent time ahead in the foreign exchange markets. While the recent run-up in the dollar has probably more than discounted the underlying improvement in the US trade balance, the continuing firmness in US interest rates complicates the short-term outlook, especially since the US authorities now seem more concerned about curbing inflationary pressures than stemming the dollar's rise. Meanwhile, the strength of the cross rates helps explain why the Japanese have been far slower than the West Germans in raising their local interest rates.

Against this background, speculative interest is focussing once again on the significant widening in interest rate differentials between the UK and West Germany. If this results in sterling testing its earlier peak against the DM, the authorities are unlikely to react the same way as they did in the spring.

BP

Yesterday had a certain sombre significance for holders of BP partly paid, being the day on which they were officially recorded as liable for the 105p second instalment. The liability can be passed on by selling between now and August 19, which is also the last day on which the shares are dealt cum the interim dividend. The promise of a gross payment of 6p or so on a current price of 60.5p is therefore illusory; you only get the dividend if you pay the call.

More important, it seems likely that the call will be payable before the Monopolies Commission reports on the KIO stake. This is a highly unsatisfactory situation for just about everyone. Holders might have to make their decision in ignorance of whether the market is then to be swamped by a forced KIO sale, and the KIO itself could be in the ludicrous position of paying nearly £1.5bn into the Exchequer in August and being told to sell down in September. The new shares are still at a slight premium to the fully-paid, presumably because they are the geared version of a stock which is itself geared to the oil price; but it could be a dangerous game.

Japan

It is a touch surprising that the London equity market yesterday ignored Tokyo's biggest fall of the year. Granted, a sense of scale is necessary; the two-day fall of 764 points in the Nikkei index is equivalent only to about 50 points off the FT-SE. But the factors worrying Tokyo are nothing if not topical – oil prices, inflation and interest rates.

Part of the difference lies in the fact that besides being a pure oil importer – in the teeth of a strong dollar, at that – Japan has no oil-producing sector in its equity market to provide stability at times like these. A rising oil price tends to translate directly into pressure on interest rates, which was in the air even before the Iran-Iraq ceasefire was mooted. And in fact, the Tokyo market has been trending downwards in the past month or so, with the index only sustained by aggressive short-term buying in a handful of heavy sectors like steel and chemicals – the same sectors which have been weak in the past few days. The betting is that Tokyo will now settle down again for a while, but it all acts as an unsettling reminder of the power of the Middle East to disturb the markets.

Pinochet keeps his options open

Robert Graham analyses reasons for the coming plebiscite in Chile

IT TAKES a certain gall for a military dictatorship to launch a political campaign with the slogan, "Democracy: Yes." Yet this is precisely what General Augusto Pinochet and his supporters in Chile are doing.

Having ruled since 1973 with continuous resort to a state of emergency or state of exception, Gen Pinochet is now promising to guide Chileans towards democracy. The chosen mechanism is a plebiscite to endorse a single presidential candidate, selected by the four-man military junta and Gen Pinochet himself.

Neither candidate nor date have yet been announced, creating a curious phoney electoral war. Gen Pinochet stomps the country behaving as if he is The Candidate. The 73-year-old general already has a group publicly endorsing his candidature, but he is keeping everyone guessing. In Santiago the betting is on a September announcement to coincide with the 15th anniversary of the overthrow of the late President Salvador Allende.

It is not surprising that Gen Pinochet is keeping his options open. His political future and everything he stands for is at stake. According to the terms of the 1980 constitution, if the government candidate wins, he will rule for eight years. If he fails to muster a majority, he will rule for a year during which elections will be held to a parliament with circumscribed legislative powers.

The opposition parties' initial reaction to this singular contest was extreme hostility, fuelled by the belief that the Government would stack the odds against the official candidate losing. They were reluctant to participate in a process that might give the appearance of legitimising either Gen Pinochet or a hand-picked regime candidate.

Marching for Pinochet's democracy: a women's regiment of the Chilean army on parade

But over the past 18 months more and more parties have realised the plebiscite presents the only immediate chance to restore democracy. "If the no vote wins, this will be a formidable indictment of the regime and the military will have to negotiate a transition, perhaps even quicker than the constitution envisages," comments Mr Heraldo Munoz, a leading socialist.

Accordingly the opposition, with a growing unity of purpose, has thrown its energies into the first stage of the campaign: getting Chileans to register to vote. Voter registration is a profoundly symbolic act as the original electoral registers were deliberately destroyed by the military as a result of the Allende overthrow. Almost half of today's potential electorate of 8m have never previously voted.

"Our chances are higher the greater the number of persons who register," says Mr Genaro Ariaga, the chief organiser of the Commando del No, the committee co-ordinating the opposition plebiscite strategy.

The number of people registering has surpassed all government and opposition projections. Less than a year ago, both sides were suggesting no more than 2m might register. So far more than 6.5m have registered.

Close aides of Gen Pinochet do not conceal his desire to stand. The existing constitutional mechanism was only introduced in 1980 because the other junta members felt it presentationally wrong for Gen Pinochet to rule indeterminately. Nevertheless, Gen Pinochet has boxed himself into a tight corner and this explains both why he has not disclosed his hand and the ambiguous nature of government propaganda.

People are being prepared to vote as much for the General as *pinochetismo*. Yet if he does not stand at this late stage after having been the dominant force in Chile for so long, it will look as if he is afraid to lose. No one has been groomed as his successor within the ranks of his supporters. In addition, he believes in his own sense of mission. His typical campaigning message has been to present the plebiscite in terms of a vote for order or chaos.

Gen Pinochet has available to him the entire apparatus of government propaganda, control of the municipalities and the active backing of the military. Against this the opposition has to play by the regime's rules and struggle to retain unity among a naturally fissiparious group of parties and personalities. It is hard to see Gen Pinochet not standing if he thinks he will win.

On the other hand, the junta is unlikely to feel sanguine backing his candidature if the polls suggest he risks losing. Nor is he likely to court political suicide. Important potential support from right-wing groupings is being held back from the General on the grounds that he is a "confrontational" candidate.

Under these circumstances analysts believe the General will either stir up the threat of instability to rally support or he will step aside, at least temporarily. So far both sides are shadow-boxing. But as September approaches the political tempo will increase.

Democrats likely to avoid feud

By Stewart Fleming, US Editor, in Atlanta

FEARS that the second day of the Democratic Party's presidential nominating convention could be marred by bitter and protracted struggles between supporters of Governor Michael Dukakis, the party's certain nominee, and the Rev Jesse Jackson, were beginning to fade yesterday.

But delegates were awaiting with anxiety the speech Mr Jackson was scheduled to give to the convention at about 10.30 local time last night.

Although he was expected to issue a ringing call for party unity, the terms in which he did so were to be closely watched.

His speech comes against a background of divisions in various state delegations about how to vote on proposals debated yesterday to amend the party's written policy platform.

At meetings late on Monday night, representatives of Mr Dukakis and Mr Jackson reportedly narrowed the range of issues dividing the two campaigns over the contents of the party's political platform.

It now seems that Mr Jackson's supporters will only challenge the wording of the platform on three questions.

They are pressing for wording which will urge support for a Palestinian state, a tax increase for the wealthy, and no first use of nuclear weapons.

There is speculation that only the latter two minority proposals will actually be put to votes, the results of which will be watched to see whether Mr Jackson can control his supporters

Democrats have been buoyed by the display of party unity which Mr Dukakis and

Some Democrats fear that although the agreement appears to be largely on Mr Dukakis's terms, it has nevertheless left the impression that the governor has been pulled to the left by his rival.

Poland secures reduction in debt terms

By Haig Simonian in Frankfurt

POLAND has managed to achieve a last-minute reduction in the terms for its $9bn debt rescheduling package hammered out in negotiations in recent months. It is due to be signed in London today, nine months later than originally planned.

According to the agreement, the interest margin, which applies to almost all Poland's debt with its Western creditor banks, is to be 13/16 percentage point over the London Interbank Offered Rate (Libor). This supersedes the 15/16 margin over Libor set out in a preliminary agreement reached after lengthy talks with a nine-member working party of creditor banks led by Creditanstalt-Bankverein of Austria last year.

The reduction follows a number of rescheduling agreements with other large debtors, which have managed to achieve more competitive terms from their creditor banks. The Polish negotiators have sought to use these settlements to their advantage.

The Polish agreement covers repayments falling due between 1988 and 1993, which will be spread out over 15 years, as well as other debt not restructured. As a result of the deal, Poland's interest payments will fall sharply from the original rate of about 1.7 percentage points over Libor.

Poland has a total foreign debt of more than $35bn, but it has always treated its western bank creditors as priority customers and has not fallen back in repayments. The country has about 500 bank lenders.

● The Polish Government said yesterday that the fight against inflation, which is expected to run at 57 per cent this year, would have top priority in economic policy next year, Reuter reports from Warsaw.

Mr Jerzy Urban, the Government spokesman, said the authorities would confer with official trade unions before publishing an anti-inflation plan and seeking parliamentary approval.

A pay dispute flared at a Silesian coal mine at the weekend. Mr Urban said 800 men at the Boleslaw Smialy mine near Katowice briefly refused to go underground on Monday in a dispute over wages and bonuses that began on Saturday.

Gulf war continues as UN moves for ceasefire

Continued from Page 1

parties for some weeks that they want an improvement in relations, and that the pace of these indirect communications has intensified since the US Navy's shooting down of an Iranian airliner on July 3.

At the same time, there is an undercurrent of irritation in Western capitals at Iraq's suspicious reaction to the Iranian ceasefire move. Mr Tariq Aziz, Iraq's Foreign Minister, said in Baghdad yesterday that his country would approach the new Iranian stance in "a high spirit of responsibilty towards the peace issue", but that until this resulted in "tangible and practical steps", Iraq would consider itself still at war.

Diplomats working on the ceasefire continue to worry that a tough Iraqi line, accompanied by further military pressure on Iran, may turn into a major obstacle to Mr Perez de Cuellar's peace efforts.

At the UN, Mr Perez de Cuellar is working to set up an observer force.

Ian Rodger adds from Tokyo: Mr Sosuke Uno, the Japanese Foreign Minister, said yesterday that his government was ready to consider a number of measures

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	79	Dubrovnik	S	28	82	Malta	S	31	88	Rhodes	S	29	84
Algiers	C	32	90	Edinburgh	C	18	64	Manchester	C	17	63	Rio de J'o	C	24	75
Amsterdam	C	19	66	Faro	S	24	75	Manila	F	33	91	Rome	F	32	90
Athens	C	34	93	Florence	S	28	82	Melbourne	S	14	57	Salzburg	F	19	66
Bahrain	F	38	100	Frankfurt	F	21	70	Mexico City	C	23	73	San Francisco	C	20	68
Bangkok	F	34	93	Funchal	S	22	72	Miami	C	30	87	Seoul	R	28	82
Barcelona	S	27	81	Geneva	S	21	70	Milan	S	29	84	Singapore	F	31	88
Beirut	F	30	86	Gibraltar	S	26	79	Montreal	R	21	70	Stockholm	C	25	77
Belfast	C	18	64	Glasgow	C	17	63	Moscow	F	30	86	Strasbourg	S	23	73
Belgrade	F	28	82	Guernsey	C	16	61	Munich	S	20	68	Sydney	F	18	64
Berlin	C	20	68	Helsinki	F	28	82	Nairobi	F	26	79	Taipei	F	36	97
Biarritz	F	24	75	H. Kong	F	28	82	Naples	S	27	81	Tangier	C	23	73
Bombay	D	28	82	Innsbruck	S	20	68	Nassau	C	30	87	Tel Aviv	F	30	86
Bordeaux	F	29	84	Inverness	F	20	68	New Delhi	C	35	95	Tenerife	S	25	77
Brussels	C	15	59	Islamabad	-	-	-	New York	C	36	98	Tokyo	C	23	73
Budapest	C	25	77	Istanbul	C	30	86	Nice	S	25	77	Toronto	C	29	84
B. Aires	C	15	59	Jakarta	C	34	93	Nicosia	F	40	104	Tunis	S	32	90
Cairo	S	33	91	Jersey	S	19	66	Oporto	F	20	68	Valencia	S	30	86
Cape Town	C	15	59	Jo'burg	F	21	70	Oslo	F	23	73	Venice	S	27	81
Caracas	C	29	84	Lima	C	17	63	Paris	F	24	77	Vienna	F	20	68
Casablanca	S	24	75	Lisbon	F	23	73	Peking	C	32	90	Warsaw	C	22	72
Chicago	S	21	70	London	C	19	66	Prague	F	15	59	Washington	F	24	75
Cologne	F	21	70	Los Angeles	F	28	82	Reykjavik	C	12	54	Zurich	S	23	73
Copenhagen	F	20	68	Luxembourg	S	20	68	Readings at mid-day yesterday							
Corfu	S	32	90	Madrid	F	27	81								
Dallas	F	28	82	Majorca	S	34	93	C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain							
Dublin	C	18	64	Malaga	S	33	91	S-Sun Sl-Sleet Sn-Snow T-Thunder							

OECD says German growth will slow

Continued from Page 1

will continue to rise this year in dollar terms to $47bn from $44bn last year, before slipping to a projected $42bn in 1989.

Unemployment is expected to stagnate at 8 per cent of the labour force this year and next. Inflation, measured by the private consumption deflator, is put at 1.5 per cent next year against 1 per cent this year. This is lower than current Government forecasts of price rises moving above 2 per cent next year.

The OECD says the German upturn since the 1981-82 recession is one of the longest, but also the weakest, on record. Gross national product last year rose only 1.7 per cent. The report says low growth risks feeding on itself, setting up a "vicious circle" of weak investment and job creation, accompanied by increased resistance to necessary structural changes.

The gap between volume growth in imports and exports will narrow next year, countering the need to reduce the trade surplus. Exports are foreseen to rise by 3.75 per cent next year after 4.25 per cent this year, with imports up 5 per cent in 1989 against 6 per cent in 1988.

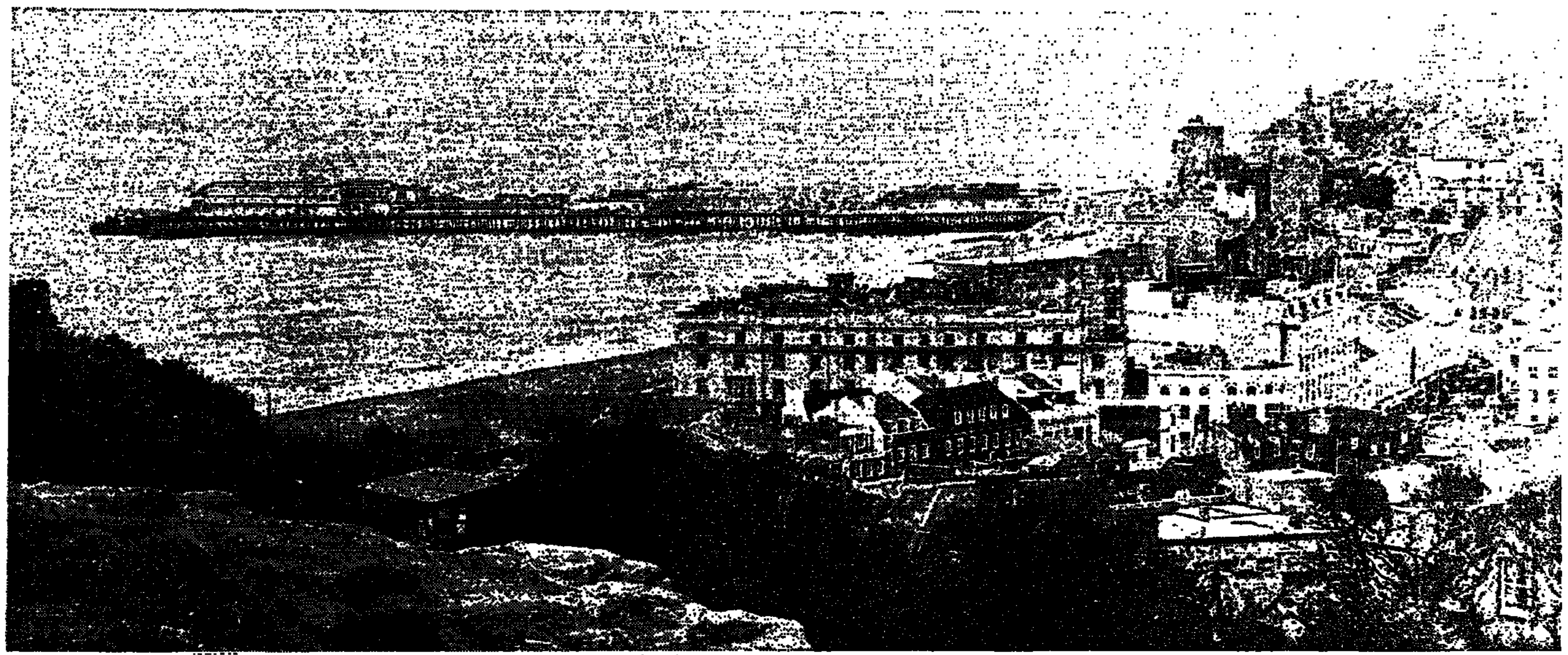
The latest weakness of the D-Mark could give a further fillip to exports and dampen the current account adjustment. The OECD bases its forecasts on a dollar rate of DM1.69, the rate when the report was finalised in April. This is about 20 pfennigs lower than the current exchange rate after the dollar's recent surge.

Details, Page 2

SECTION IV

FINANCIAL TIMES SURVEY

East Sussex wants to make the most of the EC single market and Channel Tunnel to create a more balanced economy, but without damaging its beautiful villages and attractive resorts which make the county such a popular place to retire. Survey by Stewart Dalby



East Sussex

The famous East Sussex seaside town of Hastings, as seen from Hastings Castle
Pictures by Alan Harper

The Tunnel approaches

EAST SUSSEX is not quite what it seems. The conventional picture is of a beautiful, rural county where well-heeled former colonels and their wives live out their retirement in picture postcard villages and prosperous seaside towns.

With more than 50 miles of coastline; and some of the most beautiful countryside in England including the lovely South Downs, East Sussex is an ideal place to retire.

Spacious, clean with hardly any dirty industry, its northern fringe is only 20 miles from London. Most parts of its are easily commutable.

The other side of the coin is that two of the main towns, Brighton and Hastings, along the coastline where over 70 per cent of the population live, have pockets of social deprivation which compare with the poverty normally associated with run down northern industrial towns. Both have unemployment levels close to the national average of 8.9 per cent.

Tourism has historically been the main industry. Wages here have been low and seasonal. The result is that, in terms of earned income, East Sussex ranks third poorest of 61 counties. According to Department of Employment figures, in 1984 East Sussex had a Gross Domestic Product per head of £3,550. This compared with a national average of £4,617 and a figure for Greater London of £6,626. Only two areas assessed, Northern Ireland and Mid Glamorgan were poorer.

Of course, these figures are somewhat misleading since they refer only to the economically-active. With more than 27 per cent of its 690,000 residents over retirement age, East Sussex is thought to have the oldest population of any county in Britain. The national average of people over retirement age is 18.3 per cent.

In terms of disposable income East Sussex is probably one of the richer counties. Property prices in Brighton are are at a discount to London but not by much compared with places in outer London such as Croydon. Eastbourne, Bexhill, Seaford, which are popular retirement towns, are visibly well-to-do, with crowded shops, well-kept streets and parks, nicely-painted houses and well-manicured gardens.

The trouble with disposable income amongst the elderly is that is a diminishing asset. There is, as Mrs Joan Mont, leader of the Conservative group on the county council points out, a lot of difference, between "young old" people and "old old" people.

East Sussex is popular for retirement because it is beside the sea, it is that little bit warmer than the north of England, there is hardly any industry and it is environmentally pleasant.

This is fine when say a couple, 65 years old, decide to buy the nice bungalow in Seaford. But ten years on when one of the partners may have died and even modest inflations of 3 per cent year will have wrought serious damage to a fixed income, the "old old" part of the population begins to become a problem.

A greater demand is put on the social service provision, hospitals for the elderly, home helps and so on. This burden increasingly falls on the state.

This split personality of East Sussex, between high unemployment and hidden poverty in two of the main towns and the apparent affluence of the smaller towns and villages, and between low earned income and high disposable income, has led to the county being misunderstood. The imbalances are increasingly the cause of problems which are not properly appreciated outside the county and mean that the central government has not been prepared to devote as much attention and money to the county as it might have done.

As Mr Robin Beechy, chief executive of East Sussex county council, puts it: "Because we are perceived as part of the prosperous South-East, we have missed out to some extent on the dispersal of government money. This has been particularly true of infrastructural projects, such as roads".

The need for better communications has been underlined *by the growing realisation that* the move to a single EC internal market in 1992 and the opening of the Channel Tunnel in 1993 could have far reaching effects on the county.

Both road and rail links across the county are very bad. Indeed if there is one worse way than trying to drive from Portsmouth to Dover, it is attempting trying to make the journey by train.

With just a small leap of the imagination, it is possible to envisage East Sussex by-passed by the potential economic benefits of the Channel Tunnel. The county just could become one great retirement home, with all that means for stagnation in the towns.

From 1993, the Tunnel will emerge at Ashford in neighbouring Kent. It would then be possible for tourists to pick up the M20 motorway and go straight to London or for lorry drivers to go up the M20 move on to the M25 and go west and thereby not enter the county at all. East Sussex,if this happens, would become a rural backwater. The port of Newhaven, which currently carries nearly a million passenger to Dieppe and some 4m tonnes of freight annually , would close down. Tourists, and it is worth bearing in mind that the internal market also means free movement of people would, head directly for points north.

This is a worse case scenario and events certainly will not unfold in this way. But there are some in the county who would not mind if they did. Professor Fred Bayley at the University of Sussex, who lives in Seaford, says most people *there react unfavourably to the* idea of thousands of French tourists suddenly flooding in, and would erecting barbed wire fences to stop them.

Most people though, including the county civil service see, 1992 and 1993 as opportunities which should be grasped.

At the moment there is no by-pass around Brighton. There are no by-passes around Polegate and Pevensey. Hastings is traffic nightmare and Eastbourne is clogged with only the A22 for access. The A27 from Brighton, past Lewes, is dualled and fine as far as it goes. It turns into the A259 however and winds through small country villages. The A2070 to Ashford from Hastings is a single carriageway in places and inadequate for most lorries of any size, shape or description. The railway line from Hastings(Ore) has yet to be electrified and it takes a long time. The county council and various pressure groups have lobbied very hard to get improved road and rail links. Mr Tim Rathbone, the MP for Lewes, says he regards better communications as the "critical" issue facing the county over the next few years.

The county council has been *before the parliamentary select* committee examining the impact of the Channel Tunnel to press its case for roads improvements. The Federation of Sussex Industries is running a " Better roads for Sussex Campaign" and there is Esflag , the East Sussex Fixed Link Action group.

What all this lobbying has so far achieved is that there will be a by- pass around Brighton. There will be by-passes around Pevensey and Polegate. There probably will not be proper rail links by 1993, and not an adequate road between Hastings and Ashford.

The heightened awareness of 1992 and 1993 and the activity to prepare for these events has concentrated minds on where the county should be going over the next decade.

Brighton has done well in recent years by going into the

Continued on Page 3

Key facts

Population: 697,000
Area: 690 sq miles
County authority: East Sussex County Council, Pelham House, St Andrew's Lane, Lewes. Tel: 0273.481000
Industry: Federation of Sussex Industries, Seven Dials, Brighton. Tel 0273.26282
University of Sussex Enterprise Centre: contact Mr J D Golds, Industrial Liaison officer tel: 0273.606755 ext 3765
Tourist information: 32, High St, Lewes. Tel 0273.471600
Conference information: Brighton- Marlborough House, 54, Old Steine, Tel 0273.23755: Eastbourne - 3,Cornfield Terrace, Tel: 0323.27474: Hastings - 4,Robertson Terrace Tel:0424.722022

In this survey

EAST SUSSEX 2

The county lost large numbers of jobs in the early 1980s recession but . . .

Influx of service industries makes good decline in manufacturing

IN THE late 1950s and early 1960s Brighton attempted to diversify away from tourism, its main earner. The pattern was changing. The number of staying guests was falling as the traditional bucket-and-spade family holiday declined. So Brighton decided, amongst other things, to try to attract manufacturing industry.

The local council set up a number of industrial estates on the outskirts of town, conveniently enclosed into folds in the South Downs where they were largely out of sight. The council offered various financial inducements.

For a while it worked. But came the collapse of manufacturing industry generally in the early 1980s, and the jobs created vanished almost as quickly as they had arrived.

Mr Tony Blake, chief executive of Brighton borough council estimates that since 1980 something 10,000 to 13,000 jobs have been lost in manufacturing.

Someone like Mr Richard Brett, the chief manager of Lloyds Bank Services does not particularly regret this. He claims they were the wrong kind of industries; old fashioned "metal bashing" enterprises.

The job losses have, he and others point out, been more than made good by the huge influx of services industries. Banking, finance and property alone now account for 11 per cent of the workforce, compared with 7 to 10 per cent, strictly defined, working in tourism. If all services including the county council, the courts, the police and so on are lumped in then services account for 75 per cent of those employed.

Brighton, in particular, has benefitted from the arrival of services groups. But Lewes, and Eastbourne have also done well. Only Hastings, a bad employment black spot has missed out on the trend and there are specific reasons for this. Communications are bad, but the situation is changing as rail links with London have been improved.

In any discussions about the mushrooming of the services sector, names like American Express, TSB, Alliance Leicester Building Society, TrustCard, International Factors always come up.

These large national and international names, which are mostly in Brighton, have been attracted to East Sussex because London is relatively close and the international airport at Gatwick is even closer. If you are in the kind of business which can be located anywhere , so to speak, because of modern technology and communications, then why not move to a pleasant seaside town where there is little industrial pollution , cheaper housing and lots of recreational facilities. American Express is a quite a large employer as services industries go, with 2,500 on the payroll.

But these concerns are only part of the picture. Over 80 per cent of all companies in East Sussex employ less than 20 people. It is in this area of small groups and individuals where the economy buoyancy of the South-East has really shown through.

Mr Hugh Richards , head of 3i in Brighton, says that his venture capital bank is involved with 150 clients throughout the South-East, although this area involves not just East Sussex but also parts of Kent and West Sussex. A few years ago the bank was involved mainly with management buyouts. More recently ,however,3i has been dealing with individuals who have worked for companies for some time and now as Mr Richards puts it,"want to do their own thing." He cited one company which was involved in car and van hire. It was tired. Two men who had worked for the business took it over and revitalised it. Another man who had worked for a food company for years, decided in his early forties he wanted to go it alone. He took over and old chicken factory and set up a food processing company.

Mr Michael Pitts a partner in Peat; Marwick, McLintock says his accountancy firm set up a regional headquarters a few years back to give a better service to existing clients in the area. The office started off with 12 employees. There are now 80 and it is expected there will be 120 before too long. Existing businesses have expanded rapidly according to Mr Pitts. But there has also been a huge growth in newly-established companies which do not have their own accountancy departments.

The increase in business activity has not been confined exclusively to the services sector. A number of nationally-known manufacturing concerns have been drawn to the county. Parker Pen has a factory at Newhaven. This port town also plays host to Bevan Funnell , which makes reproduction furniture.

Computing Devices which makes advanced avionics is well established in Hastings and is expanding into Eastbourne. Clothkits is firmly ensconced in Lewes and has expanded recently. As with services so with manufacturing concerns. The more buoyant economy has resulted in the setting up of a rash small enterprises employing just a few people. This is particularly true of fields like printing and publishing.

Despite this, the question is constantly being asked whether the county should be selling itself more vigorously to attract new high and medium technology industry. Neighbouring counties like West Sussex have "pitched their stall" more aggressively to use the sales jargon. Numerous companies have been pulled into towns like Crawley and Haywards Heath and industrial complexes have been set up.

Those who would like to see more positive policies argue that unemployment in Brighton and Hastings is close to the national average of 8.9 per cent and that more jobs would be welcome. Others like, Mr George Miller of the Federation of Sussex Industries say that the unemployment figures are inflated by the number of people who have drifted down from London and further north.

"If you are going to be unemployed you might as well be unemployed in Brighton where it is warmer and more pleasant." He like others feels there is a mismatch in the jobs field. Some companies have trouble in finding staff .

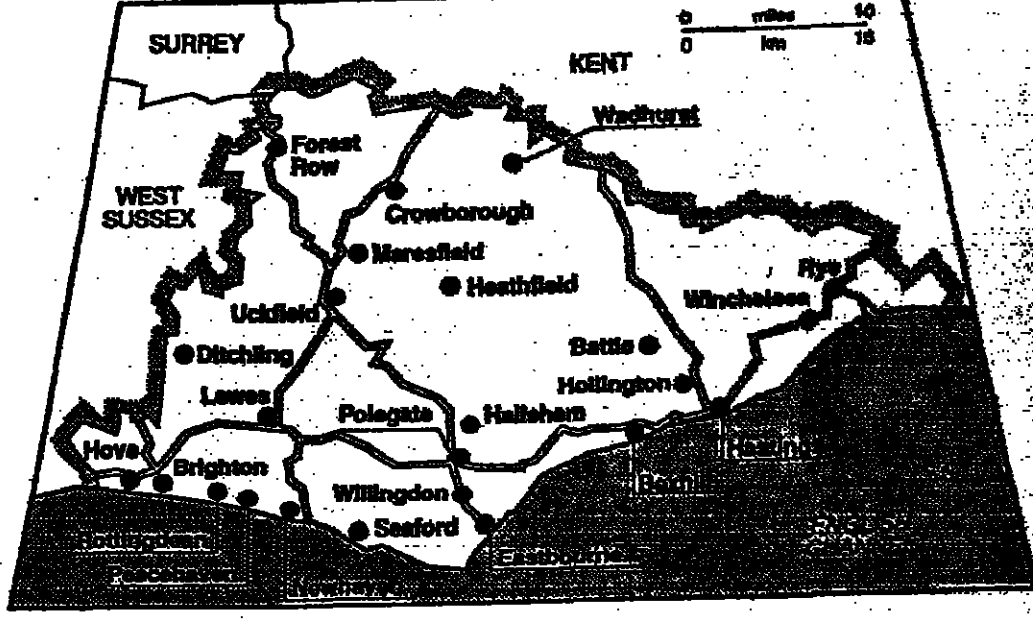
Those who argue against a more vigorous campaign to attract manufacturing industry do so on the grounds that the wrong kind of company might arrive. The county is environmentally-sensitive with over two thirds of the countryside designated as areas of outstanding natural beauty. They further argue there is, anyway, no room.

There is hardly any land available for industrial expansion outside Brighton because it is hemmed in by the Downs. There is land outside Eastbourne but there are already a lot of factories there. On the other hand, some high to mid-tech concerns like Computing Devices have done well in Hastings and there is room for further growth there.

Officials working for the county council feel there is scope to try and attract more companies but, given the way services have grown and taking into account the sensitive nature of the county environmentally, there is no pressing need to go overboard.

At the University of Sussex, those at the Enterprise Centre steer a middle course. They do not expect the university to become like Cambridge with its science parks. But they do feel more can done to attract companies into the area where research and manufacturing meet. This is what they are trying to do.

Mr Jacques Margry, group chief executive of Parker Pen, shows off some of the company's wares at its Newhaven factory. Since the company was subject to a management buyout in January 1986, led by Mr Margry, it has undergone a transformation in its fortunes, reporting a 22 per cent rise in pre-tax profit last year to £17.5m, compared with three years of heavy losses prior to the buyout. Last month, Parker Pen caused a stir in the City by abandoning, at the last minute, plans for a stock exchange listing for the company. This was because of disagreements over pricing of the share issue.



UNIVERSITY OF SUSSEX

Switch to enterprise

THE UNIVERSITY of Sussex , when it was first established in the 1960s, quickly became best-known for its liberal arts and social sciences. This was especially true of subjects such as economics and departments like the Institute of Development Studies which achieved international renown. The university used to turn out arts graduates in a ratio of two to one over science graduates.

Since then, partly as a result of government prodding of universities to run themselves along more business-like lines, the balance has changed. Of the 1,000 or so students who now graduate from Sussex each year, 40 per cent are science or engineering graduates. The university has become much more science-orientated. So much so that in the past 15 years it has been bracketed with Oxford and Cambridge at the top of the national "league" illustrating the proportion of university income derived from research grants and contracts.

Annual support from the Research Councils, government agencies and companies such as Rolls Royce, British Petroleum and GEC runs at £6m. Other campus-based research units earn a further £4m each year. As an institution or "business", the university turns over about £25m a year all told.

The areas of scientific research where the university claims it excels include artificial intelligence, biological and medical research, notably work on cancer and diabetes; and engineering technology.

Two particular engineering projects are a linear reluctance motor and work in aspects of the design of aero engines in the fluid mechanics research centre.

With the successive Thatcher governments keeping universities on a tighter and tighter rein as far as spending is concerned, individual departments have had to become more entrepreneurial in their approach towards fund raising.

The university park already houses purpose-designed R and D buildings for Eurotherm International PLC and Aisin Seiki Ltd, a member of the Toyota Group. These are involved in research only and have about 12 and 30 people working for them respectively.

Professor Fred Bayley, the head of mechanical engineering maintains that having the groups on the campus has been invaluable. Students have been able to get practical first-hand experience of industrial research and the companies have benefitted from cross-fertilization with the university's facilities.

The university authorities, particularly Mr John Golds, the Industrial Liaison Officer, want to take the process a stage further and have a fully fledged research and industrial park on the campus. They have set up the Sussex University Enterprise Centre and are offering tenancies for small and medium-sized companies on the campus. There is a site of a few acres in Stanmer Park where the university is situated. Subject to a minimum unit size of 50 sq metres, occupants will be asked to enter into a tenancy agreement of not less than three years. The first units will be ready for occupation in 1989.

What are the attractions for companies? Apart from the obvious overlap in research and development, the University campus as setting has many attractions. The campus is built in beautiful countryside just four miles from Brighton. London is 50 minutes away by train. The port of Newhaven is half an hour's drive. Gatwick airport is 25 minutes by rail or road.

There are lots of pretty villages and country towns to live in. For business purposes there are facilities for residential and non-residential conferences.

The university provides consultancy services and research facilities for companies. It runs refresher courses on many scientific and engineering topics and offers management training specifically aimed at small and medium-sized companies.

There is also the university library which holds 500,000 books and subscribes to 3,500 periodicals and journals. There is a language centre and a printing unit.

The university, in collaboration with the College of Technology and the Brighton Polytechnic also runs the Sussex Technology Transfer Centre. This is a private company which links up with other universities. It provides access to regional and national data bases that identify current current UK technological expertise and training.

Some officials talk of establishing a high-tech corridor between Brighton and the University. This is not entirely a pipedream. Between and behind the College of Technology and the University which are both on the A27 running between Brighton and Lewes are the old rundown industrial estates of Moulescoomb and Hollinbury. If the Enterprise Centre takes off, the University owns a further 20 acres in Stanmer Park which could be used for a large estate.

The prospect that Sussex will develop as a science park along the lines of the large one at Cambridge might be premature. At County Hall they have their doubts whether the campus is the right place for manufacturing industry even of a non-heavy kind. For this reason Thorn Ericksson which is looking at shifting 400 employees to the campus might just be blocked.

However, such is the enthusiasm of the officials for the Enterprise Centre, and so strong the logic for companies setting up there for research and development at least, that the project seems most unlikely to be still-born.

PROFILE: COMPUTING DEVICES

Avionics sales success in congenial surroundings

COMPUTING DEVICES is a company which decided to relocate in Hastings, despite the lack of obvious incentives.

In 1974 it was a small US-owned concern, specialising in defence electronics, which had premises in the East End of London. It wanted more space and possibly more congenial surroundings and looked at Basingstoke and Hastings.

Mr Bill Uttley-Moore, the present chairman and managing director was put off Basingstoke despite certain carrots dangled before him like rent and rate concessions. He felt the authorities were too pernickity in how they wanted the factory built. Also there were too many other concerns around, and this made for a sense of an industrial estate culture.

What Mr Uttley-Moore liked about Hastings was that it was a greenfield site in every sense of the word. The council did rent him a factory site but offered very little else in the way of bait.

In many respects there are disadvantages in setting up in Hastings. It has no advanced industrial infrastructure,although there are many more companies now including V G Digital. Communications also leave a lot to be desired. The roads are bad, the railway is slow. The nearest commercial airport is over 50 miles away at Gatwick. The closest ports are 40 miles on either side.

Despite this Hastings was chosen because of what Mr Uttley-Moore calls the lack of "peer pressure". There was no nexus of old manufacturing businesses telling him how to do things. The lack of good communications does not appear to have done Computing Devices any harm. A management buy-out was completed in 1986. The company now employs 460 people, compared with 30 when the move was made in the mid 1970s. Sales last year were £18.6m compared with £1.2m in 1978. Pre- tax profits were £2.2m in 1988 against £229,000 a decade earlier. There should be a further rise in sales to £25m this further increase in profits. Some 50 per cent of the advanced avionic goods the company manufactures is exported. The company has little debt and finances expansion through cash flow. The management buy-out was completed with the help of 3i Venture capital bank. The bank has kept a minority stake of the equity as have the original US owners. A new factory is being opened in Eastbourne. Mr Uttley-Moore sees no reason why sales growth in the next ten years should not match what has been achieved in the past ten. The company has no plans for a public flotation in the foreseeable future. Asked why not, Mr Uttley-Moore replied: "Because I would have to spend time worrying what you lot (the financial press) said about my share price, rather than running the company. I'm an engineer, like a lot of the people employed here."

Mr Bill Uttley-Moore, chairman and managing director of Computing Devices

These remarks, coupled with the fact he plans to expand in Eastbourne, help explain why he chose Hastings in the first place. He likes to start with as clean a slate as possible and grow in small units or satellites, so that the company does not become depersonalised. Asked specifically what he had liked about Hastings he replied that he liked the enthusiasm and keeness of the workforce. He had never had trouble getting workers he said. Hastings, unlike Brighton, had cheap housing for the middle managers and engineers who had to move in. Prices have started to move since the London railway line was electrified in 1986. But London is still barely commutable and house prices are reasonable.

But he maintained that most people were recruited locally. He was looking for a 100 more employees at the moment but that reflected the fast expansion of the company rather than as shortage of talent.

"The local people and those who work for us have always been enthusiastic about the company", he said. He went on: "We have no unions and never have had. Ninety eight per cent of the people who work here are shareholders or are in share option schemes". It was noticeable that Mr Uttley-Moore was on first name terms with the people on the door as he showed me out. His company has flourished in Hastings despite the lack of obvious advantages for light manufacturing or high and medium tech concerns

Computing Devices success may have something to do with progressive management

Continued on page 3

The South Downs at Wilmington: farm incomes in the county have declined by an average 30 per cent.

St George's Vineyard, Waldron: Gay Biddlecombe tending the vines

The county's agriculture must diversify its activities

Leaner times on the farm

DIVERSIFICATION and extensification are the two current buzzwords for agriculture in East Sussex, as they are elsewhere in the country.

The milk quotas and more latterly the restraints on cereals prices have meant a sharp drop in incomes for the county's 7,031 farmers, who make up just 2 per cent of the economically active population.

That leaner times have have arrived has been broadly true for most farmers, whether they work the heavy clay soils of the Upper Weald or the lighter chalkier soils of the South Downs.

Mr Tim Allen, of the Ministry of Agriculture in Lewes, estimates that average farm incomes have declined by 30 per cent in the last seven-to-10 years, largely because of price restraints from the EC in Brussels but also due to higher input costs.

Of course, this is very much a generalisation. Profitability varies enormously from the smallholder engaged in mixed farming in the Weald to the arable farmer on the Downs. It depends on factors such as the amount of debt, the economic management of farms, the mix of products, and the standard of living in monetary terms that a smallholder is prepared to accept.

Of the 117,178 hectares of farmland in East Sussex 28 per cent is arable and 58 per cent of agricultural land is under grass. The arable area was on the increase until recently because of the good prices available for cereals. Grassland has been decreasing over the last 10 years. But this trend should now reverse with set-asides and the introduction of other incentives to take land out of intensive production.

The best agricultural land is located on the coast between Brighton and Newhaven and north and east of Rye, but this represents only 4 per cent of land in the county.

East Sussex has little of the high quality soils of the coastal plain of West Sussex or East Anglia. Seventy-five per cent of agricultural land is classified grade three.

In the Weald farmers tend to be smaller with an average farm size of 200 to 300 acres, while the largely arable farms on the Downs are usually around 400 to 600 acres. At either end of these averages there are large farms of 1,500 acres, particularly towards the marshes of the eastern part of the county where sheep are reared, and a large number of smallholders or farms of under 100 acres. This is especially true in the High Weald to the north of East Sussex.

One way and another, though, it is fair to say that the majority of East Sussex farmers are looking for ways of diversifying their activities and finding alternative forms of income.

Decreasing prices because of surpluses means it is hardly worth further intensification. Yields of cereals on the Downs are low, probably at best just over 2 tonnes an acre. With the fixed cost of an acre some £180 to £200 and variable costs put at £70 to £80 an acre, unless prices remain at £100 or thereabouts the arable farmer is generally finding it hard to make ends meet.

One partial option for the downlands farmer is government assistance. The South Downs were designated one of six original Environmentally Sensitive Areas (ESAs) – other areas have been added.

The government is willing to give aid if a farmer is prepared to:-

☐ protect and ecologically improve existing Downland turf through appropriate grazing management;
☐ return arable land which is marginal to permanent grass if there are sufficient landscape and archaeological grounds;
☐ foster the protection of historic and landscape features such as archaeological remains, hedges, stockproof walls and dewponds.

If any of these objectives are attainable, then the farmer can receive between £14 and £65 an acre. In the context of improving the environment, farm woodland has attracted much attention. However, most existing woodland has generally suffered from neglect and tends to be small and inaccessible and it is therefore difficult to market produce.

The ESA assisted schemes have got off to a good start, with 58 farmers involving a total of 7,600 acres of land applying for aid in 1987. This year a further 7,000 acres could be covered by the scheme.

A similar project is the government extensification of the set-asides plan. The details are still being worked out, but the idea is that for similar amounts to the ESA scheme, ie between £14 and £65 an acre, a farmer will reduce his output of a surplus commodity by at least 20 per cent for five years without increasing production in another surplus commodity.

For the small farmer in the Weald – 72.4 per cent of farms in East Sussex are owner-occupied – a whole range of alternatives has been suggested. The Southeast Tourist Board has said that the demand for self-catering holiday units far exceeds supply in the area. There are a few places which go in for farmhouse holidays, but not many compared with Devon and Cornwall. The county structure plan makes allowances for caravan and camping sites providing they do not interfere with the landscape and there are proper facilities and access.

All kinds of alternative crops have been advanced, from grapes – there are at least five vineyards in East Sussex – to kiwi-fruit. There are some small schemes for goats. There are trout fisheries, snail farms and one project for maggots.

Perhaps the most successful way of diversifying however, is to go out of farming altogether. Mr Jim Foster is 71 and has been involved one way and another as a farmer, journalist and National Farmers Union official for 50 years.

Following a bereavement, he has decided to quit. For the last few years he has barely made a living from his 300-acre mixed farm. He reckons he can make ends meet only by not taking on full-time help and thereby not having a large wage bill. He estimates that of 100 farms or so like his in the Weald, some 80 per cent have been in the red for a few years – or so his bank manager says.

Because of the huge pressure from successful City people for houses in the county, the council has begun giving planning permission for the conversion of old barns and derelict buildings. Any plot of land with the suggestion of a building on it has therefore become valuable.

Mr Foster has three houses on his farm, his own, a second with a stream, and an old mill. He plans to sell the house with a stream for £150,000 and hopes the mill house will go for £220,000. He will thus be worth close to £400,000, having lived on the breadline for years because that was what he wanted to do. Many others will be following his example.

ENGLISH WINE

A labour-intensive business

GIVEN THE pressure for farmers to diversify and find new forms of income, one of the apparently attractive ways of doing so is to start a vineyard.

The Romans grew vines and made wine in Sussex 2,000 years ago, so the soils allow it, even if the climate is not always that friendly.

Gay and Peter Biddlecombe were two London journalists who 10 years ago fancied a change of lifestyle, and moved to Edenbridge in Kent. Gay Biddlecombe tried growing a few vines, then started looking for somewhere to start a vineyard. They found a farm on the Waldron estate, which was mentioned in the Domesday Book of 1086. It was a 36-acre farm, rundown and cost £150,000.

The Biddlecombes planted 5,000 vines on four acres. They received no assistance other than a small grant for drainage, and virtually learned as they went along.

Today they have 20 acres of vines, making it one of the biggest vineyards in the south. They have several varieties, Muller Thurgau, Reichensteiner, Seyval Blanc, Shonburger and Pinot Noir. They make a number of white dry and medium dry wines. Hardly anybody makes red wines in England because the climate is unfavourable.

The climate is not always that friendly

They produce 120,000 of bottles of wine, and have no trouble selling them. They range in price from £3.75 to £5.75 at the vineyard. It is true that they are not so cheap as some continental wines of similar quality, but there are lot of taxes in one way and another, and as yet there are no economies of scale.

A considerable publicist, Gay Biddlecombe has developed a few niche markets, like the House of Commons and a Japanese chainstore. But making wine and selling it is not all the Biddlecombes do. With Gay's brother and sister-in-law, they have added a range of ancillary activities.

Their vineyard shop sells not just their wine but also other farm products and crafts. There is a 11th century tithe barn, which has been renovated for exhibitions and banquets. There are vineyard tours and an "adopt a vine" programme under which people can come and tend the vines.

Gay Biddlecombe runs an advisory service. and is starting a viticulture course in conjunction with two local colleges.

Contrast this picture of enterprise and dynamism with what might have been an uneconomic, near-derelict farm had it continued to be conventionally farmed.

From all their various activities, the Biddlecombes are turning over some £300,000. Though they are not making a profit, they reckon they would now be in the black if they had not spent nearly £30,000 on building a winery and some £60,000 on equipping it. But it is a labour-intensive business and there are lots of costs – fertilisers, pest control, posts and wirings and so on.

Gay Biddlecombe admits that, had her husband not continued working at his own business in London, they would have had to give up the vineyard.

However, they think they will go into profit this year or next and they are considering now whether to take in grapes for wine-making from other growers.

The Biddlecombes are convinced there is a great future for English wine as wine consumption is rising sharply in Britain. They may well be right. It is, in any event, difficult not to get swept up in their enthusiasm.

Tunnel approaches

From page 1

conference trade when the old family holiday business started to decline. So has Eastbourne. Brighton has been successful in attracting services concerns like American Express as what little manufacturing industry there was has withered.

Hastings has stagnated through too little infrastructure investment and bad communications. But that is changing and the town which is only 35 miles from Ashford could come alive because of the Tunnel.

Should the county try and get visitors to turn left when the leave the Tunnel? Should Brighton try and attract more tourists? Should Hastings try and draw in more electronics companies to set up there and solve its unemployment problem? The answer to all these question is probably yes; but it is not unequivocally yes. Words like schizophrenic, unbalanced, ambivalent compromise abound in discussions about the county's future. The authorities want more jobs and a more balanced population, but they do not want heavy industry. They want to take advantage of the opportunities 1992 and 1993 offer, but desire to preserve the countryside and the environment. They want the money that tourism brings but do not want their pretty towns and villages awash with visitors depositing litter.

They a want a better road network, but emphatically not a motorway with heavy

As Mr Beechy puts it: "The next few years are going to be a balancing act for us. We must try and preserve what we have for those that are already here. But we must continue to develop and get a more balanced population by attracting more people, more young people.

"I personally would not like to see heavy industry setting up here. It would be totally out of keeping with the environment. But we should, over the next few years, identify what our priorities are in terms of more companies and more tourists and start to target them. I suppose we want it both ways really."

Computing devices

techniques. But the auguries for other concerns are good.

Unlike Brighton or Lewes, Hastings is not hemmed in by the green land of the South Downs. There is room for industrial expansion and the District Council owns land which it wants to devote to this purpose. After decades of decline Hastings as a town is receiving investment. Agreement has just been reached for a new £50m shopping complex in the middle of town on a site which still hosts a cricket pitch. Some £8m has been spent on recent years on reviving tourism including refurbishing the White Rock theatre. Then there is the Channel Tunnel. Hastings is not quite 40 miles from Ashford where the tunnel will emerge. The road and rail links are poor at the moment, but there are promises that they will be improved. Hastings has essentially been stagnating since its heyday as a tourist resort in the 1930s. With the Channel Tunnel it could begin to boom a little, and companies will have a part to play.

PROPERTY MARKET

Retirement demand helps fuel house price boom

"MOST COMPANIES who are thinking of setting up around here say the same thing. They would like to, but there is a problem of getting the right staff, particularly at middle management level. A lot of people cannot afford the house prices." So spoke Mr Hugh Richards the head of the Brighton branch of the 3i venture capital bank.

Mr Lee Pateman, the editor of the Sussex Express in Lewes advertised nationally for a new chief sub editor. The pay was £11,000. He had one reply.

" People go to the estate agents when they come to look the place over. They take one peek at the house prices and quickly go away again.", he said. Mr Pateman feels he will have to look for someone locally and try and entice them away from a rival. Even he cannot afford to live in Lewes. He commutes daily from Hastings 30 miles away in the east of the county where house prices are much cheaper.

Anyone looking for confirmation that the towns in the western part of the county, and Brighton in particular are just like bits of London which have drifted off and settled on the coast need look no further than the houses in Brighton Marina.

The first 126 flats in the second phase of the marina, which have been built by the ubiquitous Barratts in conjunction with Brent Walker, have all been sold. They resemble nothing so much as the apartments which have sprung up along the River Thames, although they are meant to be in keeping with the rest of Brighton. Single room flats have been sold for £70,000. Two bedroom flats with a sea view, or with a balcony overlooking the village square of shops, restaurants and cafes cost £130,000.

Fancy a house built in Regency style like the ones on the seafront on the cliffs above, but with your own moorings at the bottom of your private garden? Well, it's yours for £375,000 to £500,000.

The properties in the marina are fetching London prices alright. Mr Peter Blackburn, managing director of the Brighton Marina Company, says there have been 3,000 applications for the 800 houses to be built in the complex.

But as a guide to Brighton and the rest of the coast, marina prices are slightly misleading. Many of them properties were pre-sold as investments in London before last October's stock market crash. Resales are apparently quite slow.

On the mainland, so to speak, prices are apparently not quite so high. In the beautiful Sussex Square and Lewes Crescent above the marina, there are still four of the outstanding Regency houses which have not been broken up into, apartments. One of them is on the market at the moment, at £500,000. In London a similar property would fetch £1m.

It is still possible to buy a Regency house with four to five bedrooms for £200,000 in one of the other squares or terraces. The equivalent in London would fetch between £300,000 and £400,000.

A Victorian terraced house with three bedrooms would sell for between £100,000 and £130,000. You would be pushed to find a one bedroom home for less than £50,000 in Lewes, Hove, Eastbourne Bexhill or Rye. Two bedroomed houses or flats start at £70,000.

Over 80 per cent of the county's population live in the coastal strip, and a couple of inland towns near the coast. The western part of the county has become the land of the retirement home. All the building going on appears to be of retirement homes of one or two bedroomed flats or bungalows; or of sheltered housing.

The pressure of demand also comes from commuters. Prices are high but there clearly is a discount at least to central and other fashionable areas of London.

Mr Peter Blackburn, managing director of Brighton Marina company: faced with 3,000 applications for 800 houses.

Surprisingly the percentage of the population which commutes is low, only 5 per cent of the population. This compares with 10 to 15 per cent in the West Sussex towns of Burgess Hill and Haywards Heath. But it should be remembered that they are closer to London, and that East Sussex has a much higher proportion of its population which is retired and therefore does not work. Also the exception to the property boom in the South-East has very much been the town of Hastings. Communications both in terms of roads and railways have until recently been bad.

Until the railway line to London was electrified in 1986, it used to take two hours to get from Hastings to the capital. Since then Hastings properties have been increasing by 25 per cent a year. Prices remain low, however. A three-bedroomed terraced house can still be found for £70,000, way below the Brighton price.

The journey to London by train still takes one hour and twenty minutes compared with 50 minutes from Brighton. The number of commuters from Hastings if therefore lower than the 5 per cent average and the number from Brighton and Lewes probably a lot higher.

Demand for property in the county is likely to remain high in the coastal area. In the country villages there is a different problem. Little land is available for expansion. What land that does come on to the market is snapped up by developers who usually want to build retirement homes. This means that first time, young buyers, who may have lived in the village all their lives have to move out.

Prices for property throughout the county are likely to remain high and go on rising, simply because of the shortage of supply. Not only are developers often building the wrong type of homes, from one point of view – retirement homes – but also there is a severe shortage of land on which to build.

Brighton which is sandwiched between the sea and the South Downs has hardly any room to expand. Lewes is similar, although there it is all Downs and no seas. There is room for Eastbourne and Seaford to grow, but not by much.

However, two-thirds of the county is deemed to consist of land of outstanding natural beauty. The county council is conservative with a small c. They are extremely reluctant to release beautiful downland for urban sprawl.

The County Structure Plan makes provision for tens of thousands of new dwellings over the 1981-86 period. However, much of the land to be released is fill-in plots. This does not suit developers so well: they prefer nice new greenfield sites, where they can build lots of houses. Many of the fill-ins tend to be retirement homes, because you can pack more in.

Indeed, anyone who has visited Lewes regularly in recent years cannot help be struck by the way every available scrap of land has had a cosy, and not so cosy, retirement home erected on it. As with residential property so with commercial. There is a discount in rents compared with central London and the city. But these are exceptional. There is probably not much difference between Brighton say and outer London. A primo office spot in Brighton would rent for £12.50 to £15 per sq ft. This would compare with West End of London prices of £45 per sq ft and of City prices of £70 a sq ft. As for industrial property, it is difficult to generalise apart from saying there is a shortage of supply. In the greater Brighton area a factory of over 5,000 sq ft would rent for £4.54 a sq ft which is broadly comparable with outer London prices. There is, however, no consistent demand. According to one estate agent, Bernard Thorpe, until more land is released for all kinds of building, the outlook is for further rises.

TOURISM

Conferences lead the way

AS YOU might expect of a county which has more than 50 miles of coastline, some of it spectacular; which has some two thirds of its countryside designated areas of outstanding natural beauty; which is just 20 miles from London at its nearest point; which has one of the world's busiest airports, – Gatwick –just beyond its border in West Sussex; and which has very little manufacturing industry; tourism is a major earner for East Sussex.

It is no longer the single largest industry. Altogether the service sector now accounts for 75 per cent of all jobs. Banking, financial services and looking after the county's considerable old population are businesses which have all grown rapidly in recent years. Broadly defined tourism would account for 25 per cent of those employed. In the strictest sense tourism probably accounts for between 7 and 10 per cent of jobs.

If it is no longer the county's largest single industry , it nevertheless remains important. In 1985, before the decline of the dollar began to affect the number of US visitors, there were 2.5m staying visitors from within the UK and 500,000 foreign visitors. There were also possibly 7m day visitors, although these are not scrupulously counted. Brighton, the biggest , brashest and closest to London of the three main resort towns attracted the lion's share of the UK visitors and probably of the foreign visitors. Some 900,000 went to Brighton, with 650,000 going to Eastbourne, and only 450,000 visiting Hastings, perennially the Cinderella of the East Sussex Coast. Between them these three resorts accounted for well over 70 per cent of all visitors to the county.

Tourist receipts have picked up after a poor year in 1986, but in 1985 tourism earned £312m for the county.

The statistics for the number of nights spent underline the changing nature of tourism. British visitors stayed an average 4.2 nights and foreign visitors 11.95 nights. It is a reasonable bet that a fair number of these "stayers" were conference delegates.

In the 1960s and 1970s, the traditional family seaside holiday began to evaporate, as increasingly wealthy Britons began to discover cheap holidays in Spain and Greece, and as wider car ownership meant greater mobility. Brighton,in particular, was quick off the mark in spotting conferences as a good source of income to replace the old trade and accordingly made the necessary investment.

Some years back,Brighton took courage in both hands and built the Brighton Centre at a cost of £9m. It seemed like a lot of money at the time with no certainty of a return. However, the 5,000-seat conference centre has paid handsome dividends. All the main political parties have regularly held conferences there. Brighton has several other conference centres including the 2,000-seater Dome. In the last year conferences made something like £43m for Brighton alone. Of course conferences are not the be all and end all to the county's tourist trade. Brighton like Eastbourne and Hastings has a business in language schools with something like 100,000 foreign students visiting, mainly during the summer months to learn English. They stay usually as paying guests with families and attend classes in the numerous schools. Their spending does not, of course, rival that of conference delegates but is a useful adjunct.

Neither of these two areas have wiped out other tourist business. In Brighton there is plenty to do and see. Regency Brighton with its sweeping squares is symbolised by the Royal Pavilion which was built by the Prince Regent in the late 17th century. It is oriental in appearance, and contains a excellent collection of antique furniture.

There is shopping in the old Lanes areas and towards Hove. There are amusements on the Palace Pier. Sailing and swimming. There are theatres good restaurants and bars , plenty of sports facilities. Ultimately there is the bracing sea air. Eastbourne is more sedate and more targetted at older visitors. Very splendidly laid out, it is neat and well ordered. Eastbourne has also attracted conferences and also hosts well-known tennis championships.

Only Hastings has failed to make the necessary investment. Until recently when it started to spend money on its tourist infrastructure,it was in decline.

The conference business in Brighton has taken the seasonality out of the tourist business, according to Mr Bill Barrett, the Director of Tourism for the borough. "If you add in Hove and the port of Newhaven to the east , then you are talking of a conurbation of 500,000 people. The conferences mean visitors come all year round irrespective of the weather. There are all the shopping facilities and distractions of the city, and of course there is the sea," he said.

That said, the conference business is becoming more and more competitive, with Bournemouth and Harrogate in particular vying for the big gatherings. Brighton is looking to its marina to give a fresh boost to its tourism earnings. The story here is that having been something of a white elephant for the past decade, the marina is now set for expansion.

In the 1970s an assurance company, a pension fund, a bank and a leisure group formed the Brighton Marina company after two parliamentary acts allowed a marina to be built in Brighton.

But because of the high inflation in the 1970s, costs escalated, and the marina ended costing £50m – way above original estimates. The original backers decided not to press ahead with the second phase of the project.

As a harbour, the marina has never come close to recovering its costs. The leisure group Brent Walker has taken up the baton and looks to have cut a very good deal indeed. For £13m Brent Walker bought the assets and the right to proceed. It sold some filled-in land on the foreshore for £10m to Dee Corporation which has built a huge Gateway supermarket and a car park.

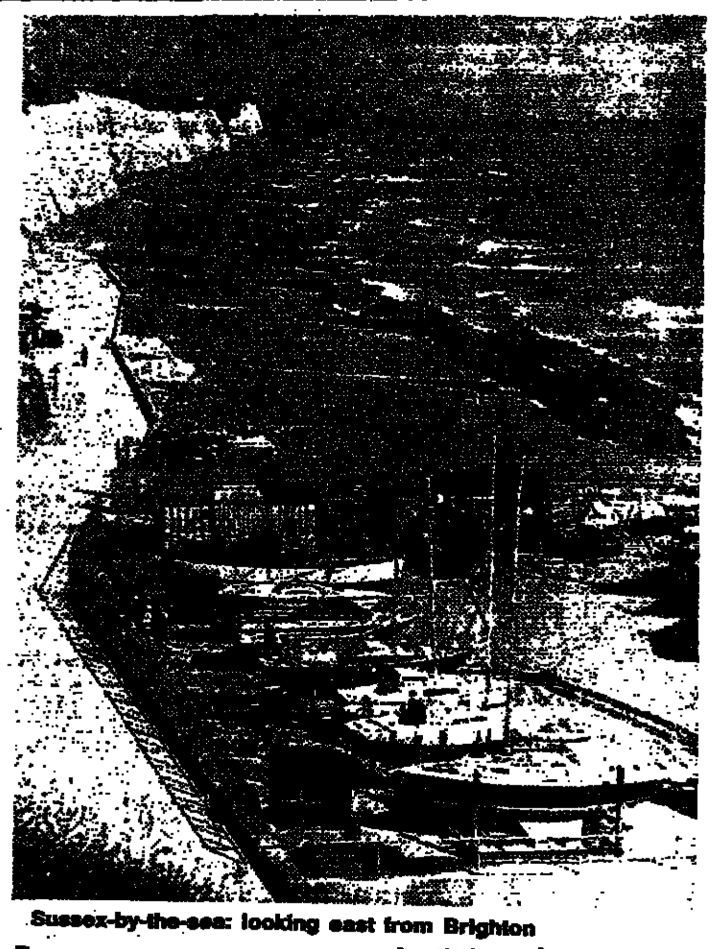
When the project is finished there will be room for 1,500 boats, 800 luxury flats and houses, an international hotel with conference facilities, a huge water park theme and multi-screen cinema and a health hydro. There will be a variety of shops cafes and restaurants around a village square. It will be, the company claims, the largest marina in Britain.

Brent Walker is hoping to make £10m a year from the early 1990s so the overspill effect on the Brighton economy will be considerable.

Eastbourne has a marina project of its own, although on a much more modest scale, and is continually upgrading its facilities. Hastings has at last begun to invest in tourism. In the past four years it has spent £8m on tourism infrastructure, including refurbishing the White Rock theatre and laying out floral beds along the seafront. It has once again got a first class hotel, since the Royal Victoria has been renovated to a very high standard.

The town is looking to the opening of the Channel Tunnel in 1993 to boost the number of visitors it receives. Ashford in Kent where the tunnel emerges is only 35 miles from Hastings. The hope is that providing the road is improved a number of tourists will turn left rather than drive straight up the M20 to London.

This is also a plan for the rest of the county. Only a small number of visitors get around the hinterland of East Sussex, yet it has a lot to offer. Many towns and villages have not wanted to attract visitors because the last thing the large number of elderly and retired people have wanted is tourists tramping around. In the past 10 years, however, the authorities have realised the earnings potential of more tourists, especially with the coming of 1992 and the internal market in Europe.



Sussex-by-the-sea: looking east from Brighton

East Sussex is a very beautiful county. It has eight miles of Heritage Coast and the South Downs provide lots of opportunities for camping, walking or riding holidays. There is deep sea fishing from Newhaven and Brighton and, inland, Drusillas Zoo with its English wine centre, the Bluebell railway, and a number of beautiful old buildings and houses, like Firle Place, Preston Manor outside Brighton, Glynde, and Glyndebourne itself. Charleston farmhouse near Glyndebourne was associated with Virginia Woolf and the Bloomsbury literary and artistic set.

Norman castles, or the remains of them, abound in the county – in Lewes, Hurstmonceux, Hastings, and Battle Abbey which marks the site of the battle of Hastings in 1066, the last time England was invaded.

There are Tudor museums in Lewes and there are great festivals throughout the year including the bonfire nights in Lewes and Battle. The county has lot of history to sell and lots of beautiful sights to be seen. The potential for a more broadly-based tourist industry is clearly there.

SECTION III

FINANCIAL TIMES SURVEY

New Zealand

CONTENTS

Geysers at Rotorua

The country is in the grip of recession, with jobs rapidly being shed. What was one of the world's most peaceful places is seeing a growth in crime and racial tension. And the government's direction is increasingly being questioned, reports Chris Sherwell

A winter of discontent

THE BACK cover of the 1988 Wellington and District telephone directory is a sobering reminder of New Zealand's vulnerability. Headlined "When Disaster Strikes," the page tells people how to cope with an earthquake, a volcanic eruption or a tidal wave.

To speak to New Zealanders today, this list is no longer exhaustive. So pervasive is their mood of depression, so cracked their confidence, the country is in danger of bringing a disaster upon itself.

Now is New Zealand's winter of discontent, and the immediate reasons for the bleakness are obvious. The starkest is unemployment. The country is in the grip of recession, and jobs are being shed in farming, factories, government departments and the services sector. For a country with an unmatched record of over-full employment, the effect is shattering.

What is more, the light at the end of the tunnel seems as dim as ever. While their neighbours in Australia enjoy 5 per cent annual economic growth, New Zealanders see capital values plummeting, many local companies looking offshore and the government selling off its own assets.

As communities begin breaking up, increasing numbers of families are ready to try their own luck outside the country. People are pointing to an external debt of around 70 per cent of gross domestic product — on a par with Argentina — and asking whether their children have a future in New Zealand.

A related concern is crime: what was once one of the world's most peaceful places to live is now beset with insecurity because of the growth in violent attacks, rapes, murders and gang warfare.

On top of this has come a further worry, perhaps the most disturbing: racial tension. New Zealand's 400,000 people of Maori descent are claiming title to some 70 per cent of the country and to its fisheries, and their recent unexpected success in a claim has suddenly generated deep apprehension among the majority whites.

For regular visitors to this land of awe-inspiring natural beauty, this profound sense of self-doubt on the part of a small, egalitarian and still well-off community is a shock.

Even more is it so for the country's Labour government, headed by 45-year-old Prime Minister David Lange. Only 11 months ago it successfully and convincingly won re-election to a second three-year parliamentary term — the party's first such achievement in 50 years.

Now Labour is suddenly a long way behind the opposition National party in the opinion polls. Internal divisions have opened up in Mr Lange's Cabinet, and questions have arisen over the government's policy direction. Its ability to project leadership at what is obviously a difficult time is also in doubt — a problem now exacerbated by uncertainty over Mr Lange's health.

These difficulties and the astonishing reversal of sentiment owe much to history, but more to recent events. In particular they reflect the essential contradiction of a Labour government pursuing truly free market economic policies.

Few people even in the party anticipated the extraordinary programme of deregulation which Mr Roger Douglas, Mr Lange's Finance Minister, would be allowed to impose in an audacious attempt to remedy New Zealand's chronic problems.

Ambitious for his country more than himself, Mr Douglas became a man with a mission as he determinedly implemented his monetarist, market-oriented credo of "Rogernomics" at both the macro- and micro-economic levels.

He deregulated the financial markets, floated the currency, removed import licensing, tariffs and export incentives, commercialised government trading departments, introduced a comprehensive consumption tax and slashed personal and corporate tax rates.

The overriding aim was to demolish the inflationary psychology of a generation which had experienced average annual price increases of 16 per cent for no less than 15 years. Inflation had misallocated resources and sullied the currency. Remove it, argued Mr Douglas, and other goals would follow.

The strategy was so successful initially that, by the time of the August 1987 election, the outcome was virtually a foregone conclusion. Mr Lange's call not to "pack it in at half time" struck a chord because the electorate accepted the need to press on.

Even so, there were important lessons in the poll result, and they go a long way to explaining the party's current predicament. Most importantly, Labour was losing contact with its traditional heartland, and picking up additional support from better-off people whose allegiances were less certain.

Mr Lange recognised early that Labour might be losing its identity. That was why he promised action on Labour's traditional social policy front in his second term. It is also why he clipped Mr Douglas's wings when he appointed his new Cabinet.

Labour's new supporters were another matter. Many came from the ranks of those who had benefited from speculation in the booming share and property markets.

When the worldwide stock market crash hit New Zealand two months later in October, the outsized bubble burst. Suddenly the recession which was always likely to be part of Mr Douglas' radical programme arrived.

More than anything else, it marked the real turning point for Labour. Anxious to respond, the government brought forward a package of far-reaching economic measures conceived by Mr Douglas and the Treasury.

Announced in December, its centrepiece was a flat tax of around 24 per cent and a guaranteed minimum family income scheme to replace the existing progressive tax structure. While corporate taxes were also to fall from 48 per cent to a similar level, business was hit with a range of other tax changes. On top of this, the government said it would be selling off no less than NZ$14bn-worth of assets.

The plan antagonised too many people, including, it seems, Mr Lange, who originally agreed with it. Deciding Mr Douglas had strayed too far into social policy, he chose a moment in late January, when Mr Douglas was in Europe, to announce a postponement of the flat tax plan.

The move provoked a crisis at home and in the financial markets. Though Mr Lange and Mr Douglas eventually hammered out an awkward compromise, the affair exposed a clear division which, months later, is still not convincingly healed and remains a major talking point.

Broadly, most people believe Mr Lange has established his ascendancy over Mr Douglas. He is said to back the general thrust of Mr Douglas' policies, but is unhappy with the pace and its perceived disregard for the human consequences.

The result is that, while other major changes have gone ahead open differences persist over key social policy areas.

But the wider question is whether Mr Lange and his colleagues can shake New Zealanders out of their current depressed mood. The reforms of the past four years, after all, are remarkable by any standards, and have aimed to haul the country back from the precipice, not lead it to disaster.

Rogernomics is moving the country from being a successful if isolated and molly-coddled communistic state to, it hopes, an equally successful, robust and competitive free market one.

Only now, with the symptoms of adjustment more glaring, has the debate sharpened, between those who say the change is too far, too fast, and those wanting to push it speedily to completion.

Caught in the middle are ordinary New Zealanders, a normally easy-going if vociferous community which rightly laments the passing of the old New Zealand society but also recognises that it could no longer depend on its costly shelters.

They are confused. What, they ask, will remain when the pendulum swings and the turn-round finally comes, presumably in the distant 1990s? Where will the country's true comparative advantages lie in a world which, even then, may be no fairer than it is now?

In such circumstances, metaphors illustrating the country's current plight are plentiful. One portrays New Zealand as an unproven car, careering to the same destination as before but less surely and on a much bumpier road. The driver with his foot on the brake is Mr Lange, the navigator a more muffled Mr Douglas.

The once-exhilarated but now uncomfortable passengers are arguing about their safety and worrying if they will ever arrive. Spectators are wondering whether they've taken a detour or hit a roadblock. But no one yet wants to turn back.

KEY FACTS

Population	3.349m (Dec 87)
Area	268,112 sq kms
GNP per capita	NZ$15,134 (Mar 87)
GDP	NZ$52.879bn (Mar 87)
Exports	NZ$12.307bn (yr to Dec 87)
Imports	NZ$11,307bn (yr to Dec 87)
Current Account deficit	- NZ$2.789bn (yr to Dec 87)
Merchandise exports (yr to Dec 87)	
Primary commodities (incl processing)	NZ$9.106bn
Oil and gas	NZ$84m
Manufacturing products	NZ$2.805bn
Merchandise imports (yr to Dec 87)	
Primary commodities	NZ$3.608bn
Oil and gas	NZ$816m
Manufactured products	NZ$8.50bn
External debt as % of GNP	11% (Mar 87)
Annual average growth	1.6% (yr to Dec 87)
Annual rate of inflation	9.6% (yr to Dec 87)
Exchange rate	NZ$1=£0.4 (12 July)

The government is faltering, writes **Colin James**

Breakneck change pursued

THE ONCE sure-footed Labour government of Mr David Lange, New Zealand's Prime Minister, has been faltering as it treads the path of deepening recession and attempts a move from economic liberalisation to improved delivery of social spending. In addition, subterranean racial resentments are surfacing as the government attempts to redress past injustices to the indigenous Maori.

Less than a year after a resounding re-election with an increased majority, few predict a third term. But, far from taking fright, the government is continuing its reforms. And, so far, the opposition National party has not been able to establish a clear ascendancy and has troublesome divisions of its own.

The government's first three and a half years to the end of 1987 were dominated by the radical economic reforming zeal of Mr Roger Douglas, the Finance Minister. An accountant by profession but an innovator by temperament, Mr Douglas carried the government in a most un-Labour direction with his free market economic policies.

But since January Mr Douglas has found progress more difficult. Plans to move to a single rate income tax of 24 per cent with a guaranteed minimum family income and a similar corporate rate were scrapped at Mr Lange's insistence because they offended traditional Labour senses of equity.

Although his fallback was still a radical 28 per cent corporate rate and base personal income rate with a maximum personal rate of 33 per cent, the kudos which the government might have won from business and the middle class has been buried by uncertainty surrounding other tax changes and a belief that the "left", or "wets", in the Cabinet have forced Mr Douglas into retreat.

Along with the income tax changes, Mr Douglas announced in December a Draconian international tax regime – which several companies said would force their headquarters to move offshore – and plans to remove the tax deductibility of superannuation contributions; which have prompted many companies to consider scrapping their subsidised superannuation schemes. Both have had to be modified considerably, leaving simmering discontent.

Mr Lange has endorsed Mr Douglas' economic management and denied a budget blowout

On top of this, Mr Douglas' macroeconomic policies have come under fire increasingly for their failure to balance the budget (except by selling assets). Mr Douglas himself, in a speech in June, gave the government only a "C+" for departmental spending control. There are also persistent doubts about his command of economic and budgetary policy.

A proposal by Mr Douglas and the state-owned enterprises minister, Mr Richard Prebble, to sell the mainly state-owned Petroleum Corporation to British Gas, was aborted in March, ostensibly because British Gas demanded unacceptable extra conditions. But there were also strong objections from government backbench MPs.

Then in April Mr Douglas met opposition from Mr David Caygill, the Health Minister and a former associate Finance Minister, over a far reaching plan to restructure the hospital system prepared by Mr Douglas' friend, businessman Mr Alan Gibbs. Mr Douglas was clearly in a minority in the cabinet on the issue.

So when, in May, rumours surfaced of an exploding budget deficit the markets were ready to believe them, especially when they were compounded by suggestions of a deal between Mr Lange and the unions and the Labour party executive.

Neither report had any specific basis. Apart from killing off the flat tax, Mr Lange has repeatedly endorsed Mr Douglas's economic management and denied there is a budget blowout. But serious tensions within the Labour party gave them credence.

At regional conferences of the party in March and April, Mr Rex Jones, the party president, publicly argued for a change of focus in economic policy to give primacy to jobs. Mr Jones is secretary of the Engineers Union, one of the three biggest unions.

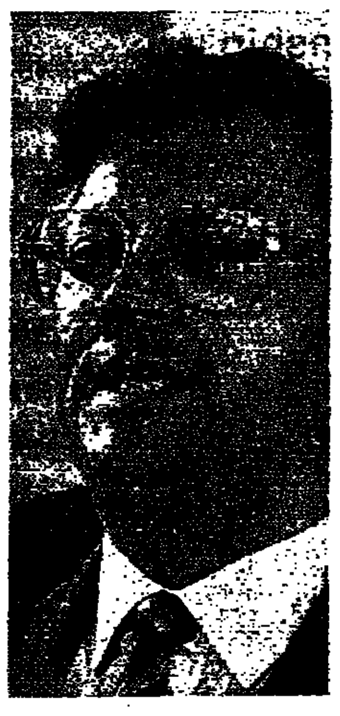
Another union, the Service Workers Federation (covering hotel, hospitals and cleaners) was at the cente of an attempt to take over the executive of Mr Prebble's constituency organisation in Auckland Central, to which Mr Prebble responded in May with a threat of a High Court action.

The Auckland Central challenge was the tip of a large iceberg of discontent among the party rank and file and affiliated trades unions which now have nearly half the votes at the annual conference and used them to lambast the government at the conference in November.

The discontent intensified in March during the passage of a bill reorganising the non-trading government departments to devolve managerial decision making to lower levels and inject greater flexibility into salary structures.

In addition, departmental heads were renamed chief executives, to be appointed in future by the Cabinet for five-year contracts.

The state sector unions bitterly opposed the bill, calling strikes and mass marches. State sector employees are traditionally fertile sources of recruitment for the Labour party.


Mr David Lange


Mr Roger Douglas

Dismay at what was seen as Mr Douglas' hand in those changes was further fuelled by the government's lukewarm reception of the 5,000-page report of a Royal Commission on Social Policy in May. Much of the tone of the Commission's report was in tune with Labour party activists' thinking.

The Cabinet has stated flatly that its social policy will not be market-oriented, but that its economic policy will remain so. But the distinction has largely fallen on deaf, confused or unbelieving ears.

Uncertainty has also been compounded by a shift in the focus of power within the cabinet, with Mr Douglas being supplanted as the central figure by the Deputy Prime Minister, Mr Geoffrey Palmer, who is overseeing the decision-making on social policy.

Mr Palmer is also overseeing two other radical reform programmes. One is a "zero-based" review of resource management law, which includes land use, planning, water and soil conservation, and mining, and which promises to be as far-reaching in its longer-term impact as the economic policy change.

The other is an attempt to redress injustices to the Maori possibly by transferring large areas of land and fisheries to Maori ownership, and giving Maori tribes more control over social spending on Maori – raising serious questions of accountability.

The moves are arousing fierce emotions on both sides and threatening an end to the comfortable myth of congenial race relations.

The National party – ironically, with a Maori, Mr Winston Peters, as its Maori affairs spokesperson – has argued for a much less radical response, leaving European economic interests essentially undisturbed. For the first time there is a serious possibility of a racial divide between the main parties in parliament.

The government's breakneck pursuit of change on all fronts, and the turmoil and fears it is arousing, should by normal rules of political logic have buried it. But the National party also has internal tensions between a "dry" group around the shadow finance minister, Mrs Ruth Richardson, which wants to "out-Douglas" Douglas and extend his economic precepts into social policy, and a "wet" group which is content to exploit the social discontent generated by the government's policies and by the recession.

Mr Jim Bolger, the National party leader, has tried to steer a middle course and paid for it with an abysmal public opinion poll rating. Only about 10 per cent now say he is their preferred Prime Minister, putting him barely ahead of Mr Peters, whose ability to spot and exploit administrative failures has made him one of the country's most-televised politicians.

Consequently there are persistent doubts, especially in business circles, over Mr Bolger's leadership and the likely policy stance of a future National party government. Surveys show business leaders still think the government is much better able to manage the economy than the National party.

The government, therefore, still has some political leeway. If it has been stumbling, so far it shows no sign of falling.

FOREIGN POLICY

Highly moralistic streak

IF THERE is a single issue for which New Zealand has become internationally known over recent years, it is the Labour government's foreign and defence policy, and in particular its anti-nuclear stand.

But if the public perception abroad is that the ban on port visits by nuclear-capable ships has hurt the government's domestic popularity or gravely damaged long-standing ties with its allies, nothing could be further from the truth. The issue is low on the list of those preoccupying the New Zealand electorate, and has clearly not harmed the Lange government politically. If anything, its stand has conveniently helped it deflect attacks from the Left over its free-market economic policies.

Internationally, New Zealand's relationship with the US has cooled enormously, but Washington has also stuck to its word that the end of their link through the Anzus alliance would not spill over into other areas. Thus, trade with the US has actually increased, and so has tourism.

In the case of Australia, which is New Zealand's most important friend and ally, bilateral ties have, if anything, grown significantly stronger, in both defence and trade. Canberra was caught awkwardly in the middle over Anzus, but has skilfully maintained a balance in its relations with Washington and Wellington.

Of course New Zealand has suffered some major costs because of the break with the US. The most obvious are in the defence realm, and are the cause of considerable hand-wringing within the armed forces.

A dramatic drop in the level of military exercises involving the US is hurting their operational capabilities. And the lack of contact through training and personnel exchanges is damaging, to morale as well as ability.

Britain, like the US, operates a "No confirm, no deny" policy regarding the nuclear-capability of its ships, so it, too, is refusing to make port visits to New Zealand, although other areas of co-operation remain broadly unaltered.

Less easily quantifiable is the cost of disrupted intelligence flows. New Zealand is presumed to have lost access to US satellite intelligence, but to some extent this is thought to have been offset by continuing exchanges with other allies, like Australia and Britain, and by New Zealand's own efforts.

Also difficult to quantify is the trade cost in Europe. When Sir Geoffrey Howe, the British Foreign Secretary, visited New Zealand last year, he pointedly reminded New Zealanders that its defence stance made it difficult to rally support for moves through the European Community to safeguard New Zealand's commercially important access to the British butter market.

New Zealand's stand on French nuclear testing (not to mention French colonial rule) in the South Pacific has similarly undermined Wellington's bargaining power as it seeks continued access to the valuable European market for butter, sheepmeat and apples.

These problems, strictly speaking, are trade issues rather than defence issues. But many would argue that trade protectionism abroad has cost the country far more than the government's anti-nuclear policy at home, and that trade should be the over-riding determinant of foreign policy.

The government is, in fact, working hard in that area. A whole string of ministers is visiting European capitals this year, including, recently, Prime Minister David Lange himself. And the fight for new markets goes on.

Sometimes this means it deals openly with some unexpected partners, like Iran and Libya. Iran was New Zealand's ninth largest market in 1987 because of the live meat trade, and last month won approval to open a diplomatic mission in Wellington.

More significantly, New Zealand is a leading player within the 14-nation "Cairns Group" of agricultural free-trading countries campaigning in the Uruguay Round of Gatt talks for a removal of farm subsidies and protectionism by the US, Japan and the European Community countries.

It is also a member of an international group seeking freer global trade in services, another key item on the Gatt agenda. The group includes Australia and Canada, both members of the Cairns Group, but also the US, Sweden and Switzerland – among its strongest opponents on agriculture.

These diplomatic efforts have been given extra credibility by the government's domestic economic policies of deregulation and liberalisation. But as with so many small countries, New Zealand's real foreign policy clout really lies closer to home, in its case in the South Pacific region.

Over the past 18 months Fiji has suffered two coups, New Caledonia has become a violent racial battleground, riots have convulsed Tahiti, Vanuatu has experienced civil disturbances and Papua New Guinea is facing renewed government instability.

New Zealand's size, location, good-neighbourliness and cultural affinity give it an unmatched standing among many Pacific island nations, and Wellington, with a few blunders on the way, has sought to monitor closely this unexpected rash of instability.

In the process its intrinsic importance to its Western allies has fortuitously been underscored, because such events have also been of direct interest to countries like the US and Britain.

The bigger powers recognise that, even though the South Pacific remains something of a backwater in international security terms, it is a region of growing international importance.

Washington, for example, apart from its strategic interest in the South Pacific, has significant political interests in places like Micronesia and commercial interests in the form of US tuna boat fishing.

Moscow, for its part, has been displaying a re-awakened interest in the South Pacific since Mr Mikhail Gorbachev's Vladivostok speech in 1986, and has sought commercial fishing and port rights in the region. Japan has indicated it wishes to extend its political and economic cooperation too.

As for France's colonial rule over New Caledonia and French Polynesia and its continued nuclear testing at Mururoa, this has proved to be a major source of antagonism in the region.

Paris' stand contributed directly to "Spinfizz," the South Pacific Nuclear-Free Zone Treaty which regional countries (including Australia and New Zealand) agreed last year. Some believe it has also encouraged Libya to make its presence felt in the region.

New Zealand is now trying to capitalise on its anti-nuclear stand at home and in the South Pacific by seeking a wider role in the evolving international disarmament debate.

According to a briefing paper prepared for Mr Russell Marshall, the new Foreign Minister appointed after Labour was returned to office last August, "disarmament is the key issue".

The paper said: "The government has already gained an international reputation for political courage and independence of judgment and action. It is now well placed to profit from this reputation and, more importantly, to be in the forefront of a campaign for a safer world."

This disarmament effort, like its anti-nuclear stand, reflects a moralistic streak in New Zealand's foreign policy which also finds expression in its willingness to take a high profile stand on human rights issues, for example over South Africa or Fiji.

Inevitably this can result in contradictions with the country's diplomatic, commercial or defence interests which baffle outsiders. But it has not stopped New Zealand continuing its efforts to achieve an enhanced role on the world stage. Whether they can be taken much further is another matter.

Chris Sherwell

NEW ZEALAND 3

Tim Dickson on New Zealand's relationship with the European Community

Underlying tensions over trade policy

UNTIL 20 years ago New Zealand could still be justifiably tagged Britain's "farmyard" in the South Pacific.

The United Kingdom's entry into the European Community in 1973, however, not only speeded up a process of trade diversification already under way in the previous decade, but ushered in a complex and difficult period of adjustment to the new political realities which is far from over.

New Zealand's relationship with Europe is marked today by a potent mix of close common interests on the one hand, and by sharp and bitter policy differences over the level of farm subsidies on the other.

It is influenced by New Zealand's deep-rooted trade, cultural, and historical ties with Britain and conversely by the "mother" country's apparently growing attachment to a more unified European Community; it is affected by the non-nuclear policy of Mr David Lange's Labour Government which has heightened existing tensions with France in the South Pacific; and it is inevitably being re-shaped by Wellington's increasingly energetic pursuit of closer political and economic relations with its neighbours in the region, notably Australia.

As every schoolboy knows meat and dairy products brought to the British market in refrigerated ships were the mainstay of the New Zealand economy from the late nineteenth century until at least the early 1960s (Britain accounted for a staggering 90 per cent of New Zealand's overseas trade before the Second World War). While the subsequent search for new markets has centred largely on the US and Japan – today each nation accounts for around 16 per cent of exports – the government in Wellington has also been anxious to develop a broader and more diversified trading relationship with the rest of Europe.

Thus while Britain remains by far New Zealand's largest trading partner in the EC with a 9.2 per cent share of worldwide export sales, Italy, West Germany and France are important and in some cases rapidly expanding outlets for its goods.

In the year to June 1987, for example, exports to Italy increased by 33 per cent to NZ$301m, to France by 53 per cent to NZ$225m, and to West Germany by 14.6 per cent to NZ$306m. Italy is New Zealand's most important customer in the world for leather products, hides and skins, while in the year to June 1987 West Germany took NZ$75m, or a 17.28 per cent share of total worldwide New Zealand kiwifruit sales.

Professor Robert Chapman, Former head of the Department of Political Studies at Auckland University, says that post-Second World War export diversification: "Is perhaps New Zealand's greatest achievement, turning one-country trade into trade with every country in sight." With an eye to the forthcoming negotiations over access to the European market for New Zealand dairy producers, however, he adds more sombrely: "The UK market is the difference for us between profit and disaster."

While most politicians and diplomats like to stress the broader and more positive aspects of New Zealand's relationship with the EC, the twin issues of New Zealand's butter quota and the terms of access for its lamb are likely over the next few months to expose the deep underlying tensions over trade policy.

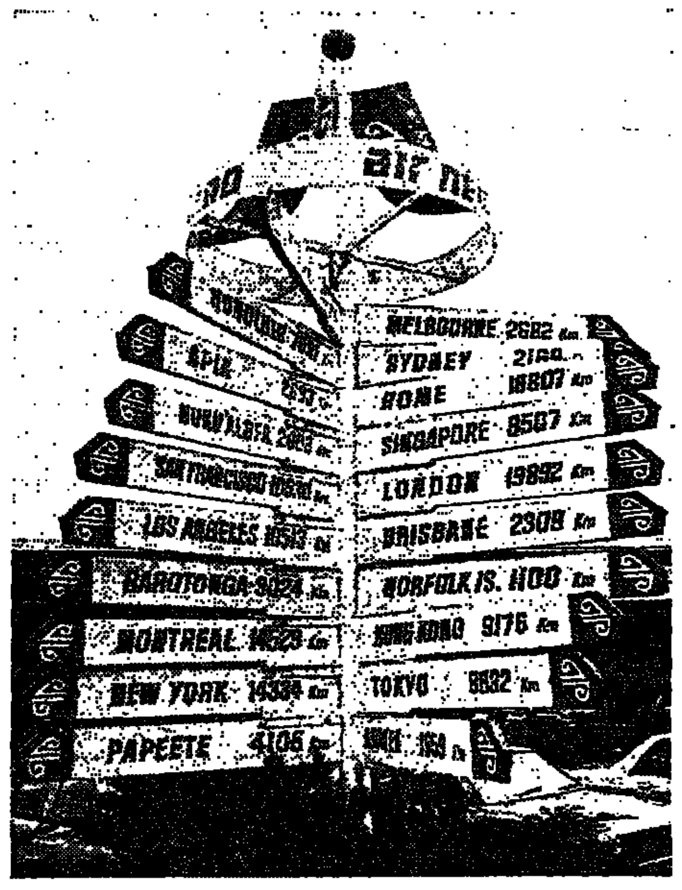
New Zealanders are angry and increasingly frustrated by the way Europe's farm policies not only provide tariff protection against imports from the rest of the world but, through high subsidies, have created surpluses (notably in the dairy sector) which distort global markets. They point out that New Zealand – a low cost, efficient producer whose dairy farmers, for example, get just 25 per cent of what their European counterparts receive for their milk – have already borne a heavy penalty and following the radical action of Mr Lange's first Government no longer receive any official farm supports. They find it difficult to understand why consumers in Europe are denied a free choice.

The EC, on the other hand, notwithstanding its support for a reduction of farm subsidies in the current negotiations in the General Agreement on Tariffs and Trade (GATT), seemingly adheres to the principle of Community preference. Egged on by a vocal and still powerful farm lobby which points to the sacrifices which European producers have made as a result of milk quotas, the European Commission has been under pressure this year to limit further New Zealand's access to the EC.

Fears about what lies in store for butter – and actions like the Commission's recent decision to set strict limits for the first time on apple imports from the Southern Hemisphere (including those from New Zealand) – have provoked mixed feelings about the implications of the single European market which is promised after 1992. Diplomats in Wellington like to stress the new opportunities for manufactured exports which should flow from the removal of so many internal trade barriers, but they are understandably apprehensive that the much-trumpeted new era of prosperity in Europe will be accompanied by the erection of a new wall of protection against the outside world.

Hopes for more open trading with the European Community are not helped by the tense bilateral relationship between New Zealand and France – the result of French nuclear testing in the South Pacific, differing views on the situation in New Caledonia and, of course, the lingering Rainbow Warrior affair. "It is difficult but it is not daggers drawn," Prime Minister David Lange said in a recent interview, hinting at Wellington's keen desire to cool feelings and establish a better rapport with Paris.

Generally speaking, Wellington sees itself in the South Pacific as the natural partner of Europe's democracies in encouraging the newly-emerging nations to espouse western ideals, and thus to head off any attempts at Soviet influence in the area. That argument – and the need for a strong economy if the job is to be done well – is certain to deployed in the forthcoming negotiations on trade access.



A long way from anywhere else, but now trading world-wide

AUSTRALIA

Close co-operation

There is no doubting the dominance of Australia in the Kiwi psyche. The two peoples, diverse as they are, have so much in common that they are rightly seen as being part of the same family. But it is very much a big brother/little brother relationship: New Zealanders, being from the smaller, more isolated country, take far more interest in what is going on in Australia than Australians do in New Zealand, as any glance at the two countries' newspapers shows.

New Zealanders' opinions of Aussies are often more disparaging than complementary, and this is a reflection of their intense sense of rivalry, which finds its most concentrated expression on the rugby ground and cricket pitch.

More importantly for New Zealanders, Australia is their closest friend and ally and most important trading partner. Not only is it the country's chief source of imports and second most important export market, more tourists come to New Zealand from Australia than anywhere else.

Over the past four years, when there have been Labour governments on both sides of the Tasman, this relationship has grown even closer, and the seal on this development is likely to be set next month with a summit meeting between New Zealand Prime Minister David Lange and his Australian counterpart Bob Hawke.

The centrepiece of the meeting is expected to be an agreement which extends the two countries' Closer Economic Relations (CER) pact and brings them to the brink of a single market.

Last month in Christchurch, ministerial teams from both sides concluded months of talks at official level reviewing the original CER Agreement of 1983. By any standards they achieved a notable breakthrough, promising a bilateral agreement even more advanced than the US-Canada pact agreed last year.

In the first place they agreed on full free trade in goods by July 1 1990, five years earlier than planned in 1983. Second, they agreed to extend the agreement to trade in services, with the same notional target.

Achievement of the target depends on the resolution of some outstanding issues before August. The two sides hope to agree a services treaty which contains lists for each country indicating areas where free-trade cannot be attained.

On top of this, the meeting agreed memoranda of understanding on the harmonisation of customs procedures, the harmonisation of business laws and technical barriers to trade and a protocol on quarantine. These are to be signed by ministers responsible for these areas "at an appropriate time".

The ministers also reached understandings on such sensitive matters as access for New Zealand to Australian state government purchasing contracts, and on industry assistance, margins of tariff preference and export prohibition.

In particular, the two sides affirmed that bounties and subsidies providing long-term protection for Australian and New Zealand industries from trans-Tasman competition "can no longer be regarded as viable instruments of industry policy".

The agreement is emphatically not an attempt by the two countries to establish a Fortress Australasia regime. Neither wants such an inward-looking policy. They are each restructuring their economies, and campaigning for third countries to end subsidies and protection.

As one minister said, if Australia and New Zealand cannot negotiate a free trade agreement, who can?

A similar rhetorical question might be asked of the two countries' defence co-operation since New Zealand's link with the US through the Anzus alliance was ruptured over Wellington's controversial anti-nuclear defence stance.

Australia, which counts itself as a major ally of the US, did not agree with New Zealand's position. As the third party to Anzus, it was therefore in an awkward position. But the two countries' common interests in regional security have, if anything, strengthened their defence ties.

Both have comprehensively reviewed their defence policies, collaborating closely on the way, and have amplified this contact through the customary exchanges and exercises and by reacting jointly to the upsurge of instability in the South Pacific.

The collaboration is now going further with the building of a controversial "spy base" in New Zealand compatible with one in Australia for the interception of satellite signals.

Even more important is New Zealand's agreement to spend more than NZ$1bn on four frigates which will be built in Australia. Because of New Zealand's straitened economic circumstances, some doubt has arisen over whether it can afford this purchase. The two sides are therefore considering a number of options to ease the financial cost for New Zealand.

Chris Sherwell

Terry Hall looks at the country's economy

Growing divisions on 'Rogernomics'

OPINION POLLS suggest that there are growing doubts about whether the economy, under Finance Minister Roger Douglas, is heading for its long-promised recovery.

Last August, Mr Douglas was the key figure in the landslide general election won by the reformist Labour Government. Voters endorsed his policies – known as "Rogernomics" – and felt he deserved a chance to complete them.

Barely two months later, in October, the stock market crashed, bringing loss of confidence, a spate of corporate failures and severe losses among personal investors.

Then, in December, Mr Douglas, with the support of colleagues, introduced a wide range of new reforms, including a proposal for a flat tax regime.

This package was rushed, partly because Mr Douglas wanted some measure to reawaken business confidence after the crash. However, problems quickly surfaced and, in a controversial move while Mr Douglas was out of the country in January, Mr Lange, the Prime Minister, suspended the package.

In its modified form, the package has pleased no one. In particular, it has enfuriated the business community, because it imposes substantial new costs on superannuation and fringe-benefit taxes, which will add greatly to the cost of running large labour-intensive industries. Big cuts in corporate taxes, from 48 to 28 per cent, may not be sufficient compensation.

In its first three-year term, Labour made remarkable sweeping reforms. Helped by the bull market and a booming property sector, real growth was far above expectations, despite serious problems in the agricultural sector (the first to have its taxpayer supports removed) and growing signs of distress in traditional manufacturing.

In its present term, the Government has shown determination to pursue its war against inflation. The pain of this is becoming apparent, as Mr Douglas continues to listen to advice, from the Treasury and the International Monetary Fund, that there must be no relaxation of policies designed to keep the dollar and interest rates at high levels.

Continued on page 4

Terry Hall traces the evolution of the Government's privatisation policy

Opposition weakens with every sale

THE GOVERNMENT'S determination to privatise state-owned assets provides perhaps the best illustration of its tough single-minded reformist zeal.

On its election in 1984 there was no hint given to its traditional Labour supporters that it planned to sell or even alter in any way the huge infrastructure of enterprises ranging from the Post Office, to insurance, shipping and airlines that it inherited.

Some of these carefully-cosseted institutions, with substantial staff numbers, had been developing steadily for nearly 150 years under both right and left wing governments. In its previous term in power, 1972-75, the Kirk-Rowling administration actively promoted increasing state involvement in such areas as the state-owned development bank, the DFC and the Shipping Corporation. In spite of its stated belief in free enterprise, the National government of Sir Robert Muldoon did little to reverse this trend.

As part of what is now known and reviled by its critics as the "hidden agenda" Labour's key strategists including the Prime Minister Mr David Lange, the Finance Minister, Mr Roger Douglas, the Trade and Industry Minister, Mr David Caygill and the State-Owned Enterprises Minister, Mr Richard Prebble planned to change all this. After their election each government department was put under tough scrutiny, and corporatised where possible under the eagle of of prominent members of the business community. Unstated in most cases was a preparedness to sell off surplus assets where possible and even whole organisation.

In the initial thrust towards efficiency, large numbers of people were made redundant – 3000 forestry workers alone in the Rotorua district lost their jobs, as well as thousands of others in the former state coal division, now known as Coalcorp, the Post Office, now transferred to three divisions, railways, and so on.

Wariness over a backlash from its Socialist supporters meant that the government at first focused attention on disposing of state-owned corporations, with their own boards of directors, where the government claimed the state could have a lesser involvement.

It tested the water with the Bank of New Zealand's partial privatisation in May 1986 – nine months into its three year term. The need to own the BNZ was a credo of successive Labour governments.

The BNZ, the country's biggest bank, had been controlled by the government from 1892 when it had nearly collapsed in a spate of bad debts.

Labour politicians from the beginning of the century wanted full control – but this wasn't achieved until 1945 when the remaining BNZ shareholders were forced to accept a derisory sum for their shares.

Successive governments showed they liked having the nation's biggest bank under their control, and Sir Robert Muldoon with a compliant board was always considered actively to have influenced its policies during his 17 years as Minister of Finance and Prime Minister.

Judging it to be a test case of public opinion of the whole thrust of their planned privatisation programme, the Lange-Douglas administration at first softened up the public by a series of statements in 1986 pointing out that the bank was badly undercapitalised, and that the government itself was not in a position to fund its much needed development. Questions were carefully placed asking whether the government should be involved in a whole range of enterprises. These also suggested that similar companies were also undercapitalised and could prosper by being allowed to raise money through shares and "minority" public ownership.

Mr Lange pushed through the decision to sell a 13 per cent stake in the BNZ with some opposition from his back-bench – and heated criticism from trade union and left wing circles.

For the government this was a major victory.

In its first term it moved quickly to sell its 87 per cent shareholding in New Zealand Steel, a company that had undergone a huge development programme with government assistance as part of the Muldoon "Think Big" strategy. The expansion ran into big cost over-runs, and an uncertain international steel outlook. The government spent NZ$2.18bn to complete the project. In October last year it was sold to Equiticorp for NZ$327m.

In a more controversial move the government invested NZ$800m to restructure the debts of the energy company, Petrocorp. Initially 30 per cent was sold – half each to the public and Brierley Investments.

In what had all the signs of a fire sale to meet a March 31 deadline to secure a surplus in the budget, Mr Prebble forced ahead what in effect was an auction of the government's 70 per cent shareholding.

This was first sold to British Gas, but after an uproar in which critics claimed the government was selling off the nation's vital energy resources, these shares were sold to Fletcher Challenge.

The government has shown equal enthusiasm in its attempt to sell its 100 per cent ownership of the Development Finance Corporation, and an expected 25 per cent sale of Air New Zealand, possibly to British Airways.

Opposition has weakened with each sale. Only 12 months ago a sale of Air New Zealand would have been unthinkable. Now it can be expected to raise at best a modest nationalistic response.

The government is now actively preparing to sell off restructured government departments. The jewel of these is expected to be Electricorp, the main energy supplier which controls billions of assets, and the country's substantial hydro, thermal, coal and oil generating capacity. Electricorp has been vigorously restructured, and under new aggressive management and the chairmanship of a tough businessman Mr John Fernyhough, it saved NZ$100m in its first year by cutting fuel costs and staff numbers by 25 per cent. Mr Fernyhough is keen to see it privatised.

Equally savage restructuring has occurred at Coalcorp, and 16 companies have expressed interest in buying it. Coalcorp has made an NZ$80m turnaround in 12 months – from a NZ$76m loss to a NZ$4m profit. However, its newly-acquired chairman, Mr Bob Henare, the first Maori to head a state-owned enterprise, has refused to endorse the plans to sell, or break up the company.

The Shipping Corporation is having problems in rationalising its activities and lost NZ$6.5m in its first half. Mr Prebble has told them that unless they do better they'll be sold off. Unstated is the point that when they do, they'll suffer the same fate.

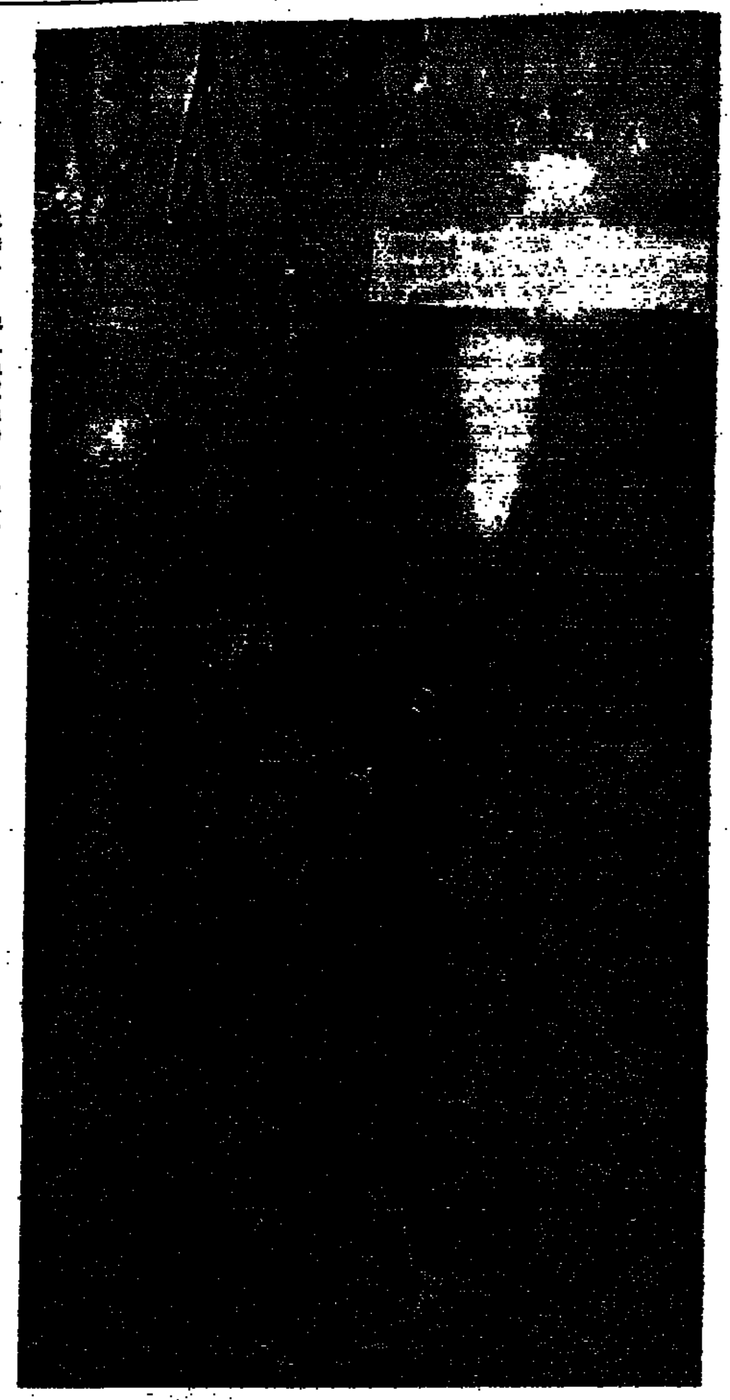
The Minister is determinedly forcing the sales programme – making it clear he personally does not believe the government should be involved in any area that is peripheral to its activities, and that financial considerations mean a sale should be made as soon as possible, rather than wait in hope for a better price in a cyclical upturn.

Among others enterprises marked for early disposal are the computer services of the health service, the government printing office, the tourist hotel corporation and the services of New Zealand Post.

Land developers have cheque books ready

In its search for revenue the government isn't stopping there. Land developers have their cheque books ready for some of the most splendid development sites on the coastline and in the heart of Auckland and Wellington.

These are old fortification sites, army barracks, naval docks and a former RNZAF seaplane installation in the capital. The armed services in a more cost effective age will have to move to less honeyed environments.



New Zealand Steel: sold for NZ$327m

Growing divisions on 'Rogernomics'

Continued from page 3

Unemployment is rising alarmingly, and is forecast to reach 5.5 to 6 per cent (120,000 to 130,000 people) by next March – low by world standards, but a sombre contrast to the over-full employment of the early 1970s when the jobless seldom exceeded a few hundred. Not counted in the figures are the thousands who have taken early retirement from state-owned enterprises that have been vigorously restructured.

The wave of restructuring, and the opening up of formerly protected industries, such as textiles, is provoking a major row among Labour's traditional supporters in the trade union movement. There is also growing resentment that, to find work, young people must often go to Australia.

Government policies have led to a rapid rise in the value of the New Zealand dollar, especially against the Australian and US currencies; and there is a widespread acknowledgement that this, too, is costing jobs.

High interest rates are also causing increasing bitterness. After nearly four years, there are signs of a drop in longer term rates, but very high short-term rates remain a constraint on business.

House prices have dropped by around 10 per cent since October, but are still high compared with Australia. Mortgage rates have dropped from around 21 to 17 per cent, but with no tax relief couples often still have to delay having a family.

The government has not helped itself by appearing inconsistent. There was widespread belief that it would relax its tough monetary policy stance in mid-March, when both Mr Lange and Mr Douglas announced that they would be content with some depreciation of the dollar (which then stood at around 66 cents to the US dollar) and with a further drop in interest rates.

The dollar dropped two cents in a fortnight, and aroused fears among government advisers that inflation was being rekindled. This led to the present tough anti-inflation initiative, higher interest rates and a dollar that hit 72 cents to the US in mid-June.

At the same time, Mr Douglas tightened fiscal policy and launched a tough campaign against government spending, because of worries of a blow-out in the fiscal deficit.

Mr Douglas has been taking great pains to reassure the markets that the Government will keep tight control of its spending, and that the deficit will not be allowed to "blow out". There are signs that he has convinced some ministers – including Mr Lange, who is also Minister of Education – of the need to limit spending.

But not everyone is convinced. The forecasting agency Berl has predicted serious problems and an increase next year in the rate of the VAT-style Goods and Services Tax from 10 to 12.5 per cent. Other forecasters say this will not be needed. Mr Douglas is believed to be opposed to it because of the inflationary consequences.

There is increasing concern that the Government is neglecting exports, and that it must tolerate a substantial dollar depreciation to provide assistance. New Zealand is sharing in the world commodity boom, and this is giving a welcome boost to the balance of payments.

In the March quarter, the balance of payments showed a turn-around from a deficit of NZ$464m, a year earlier, to a surplus of NZ$102m, indicating that the economy was coping with huge rises in debt-servicing and invisibles. The May trade figures reflected an economy in transition: they were the best ever, with a merchandise surplus of NZ$390m, with exports worth NZ$1,222m and imports down to NZ$832m.

The figures were greatly helped by the severe domestic recession and the stock market crash, which reduced spending on imports. Car imports for the month were a remarkably low NZ$59m, compared with NZ$126m the previous May. New Zealand's rapidly developing self sufficiency in oils has helped as new fields come on stream.

There is general agreement that, to give a further boost to confidence, the dollar needs to fall, and a that another drop in interest rates is needed. Berl believes the time has passed when the Government should have adjusted its economic policies. It says the outlook for 1989 is continued contraction in employment, demand and output, with pressure on the Government account because of declining tax revenues.

For its part, the Government can claim success in cutting inflation rapidly – some authorities believe the underlying rate is now below 5 per cent. But no relaxation of its policies can be expected until the end of the year after the October wage round.

In the coming months the Government is likely to act decisively in a bid to bolster confidence, and many will look for new initiatives in the approaching budget.

The growing polarisation of opinion over Rogernomics is likely to intensify. But Mr Douglas – with powerful backing from right-wing elements in New Zealand, the OECD, the IMF and his own backers in the Treasury and the Reserve Bank – is unlikely to change course.

Terry Hall

Dai Hayward on banking deregulation

Full force of competition

AFTER FOUR years of progressive deregulation, lifting of controls and removal of restrictions which culminated in opening the banking system to foreign and new banks, New Zealand banking now claims to be the only sector in New Zealand which has felt the full force of open competition.

NZ banking has moved from being one of — if not the most — regulated and controlled in the world to one of wide open non-protected competition.

The change was signalled by the Labour government's arrival in power in July 1984. Within days there was evaluation; in December, exchange controls were removed for the first time for 50 years; in March 1985, the NZ dollar was floated. Since then, interest rate ceilings have been abolished, reserve asset ratios, which compelled banks to keep a proportion of their funds in government stocks, have been removed and other banking restrictions swept away. And last year foreign and new banks were permitted to set up in New Zealand.

This has resulted in 11 new banks coming into the NZ market. In addition Postbank, created from the former Post Office savings bank, as a more efficient, stand-alone competitive bank, and Trustbank, created through an amalgamation of the regional trustee savings banks, are both now virtually full banking operations, although they have not yet been registered as banks under the new regime.

The setting up of 11 new registered banks has brought new meaning to the word competition for the four traditional trading banks, as well as for the new banks themselves. In five years NZ bankers have almost had to re-learn their banking skills and attitudes.

The four traditional trading banks are today attaching much more importance to their retail banking operations. They have launched fierce marketing campaigns to attract new business or hold existing customers. They have become extremely customer-service conscious. So too have Postbank and Trustbank.

Since May something of a home mortgage interest war has been underway as interest rates have dropped from 20 per cent for first mortgages to 16 per cent.

Postbank which has the largest retail customer base has rapidly changed its image and its operations. Although it has closed over 400 branches attached to small village or suburban Post Offices, it still has the largest branch network with over 100 branches more than its competitors.

It has also moved into corporate banking and treasury operations. This enabled it to turn the projected loss of NZ$54m for the old Post Office savings bank, into a healthy profit on its first year's operation to April this year. The change in style and image from the old Post Office operation has been startling.

The 11 new registered banks are a mixture of international banks and local building societies or merchant banks. Most of the foreign banks already had a base in New Zealand before they launched themselves as full banks.

They include the National Australia Bank which took over the NZ finance house Broadbank; NZI bank, the banking arm of the NZ-based international insurance giant; Citibank, the NZ branch of the worlds biggest bank; the Canadian Imperial Bank of Commerce; Barclays NZ, which is a subsidiary of Barclays UK; Indo-Suez, the Hong Kong and Shanghai Bank; Security Pacific, a subsidiary of a Los Angeles bank; Macquarie Bank of Sydney; Countrywide, a former local building society which has joined with the Bank of Scotland to develop a retail banking operation; and the most recent addition, BT NZ(Holdings), a wholly-owned subsidiary of Bankers Trust New York Corporation(NY).

The National Australia Bank is also a major retail bank with the others concentrating more on corporate or specialist banking.

The Bankers Association, which formerly was something of a cosy club of the four trading banks — Bank of NZ, ANZ, Wespac and National, a subsidiary of Lloyds of London — says it welcomes the increased competition and has admitted the new entrants into membership.

It strongly resents and completely rebuts fierce and strongly-worded criticism by some Cabinet ministers, alleging the banks have deliberately maintained loan and mortgage interest rates at a high level to recoup losses resulting from the stock exchange crash last year. "Banking in New Zealand has shown a high degree of

Attitudes have had to be re-learned

responsibility and effectiveness. Where banks had share market losses they handled them adequately and responsibly" says Mr John Belgrave, executive director of the association. The country's largest bank, BNZ, which was rumoured to have lost heavily in the October market crash made a public declaration of its losses and provided $355-6 million to meet these. This was lower than rumours had suggested.

The Bankers Association feels it is unfair to accuse banks of some form of collusion to keep interest rates high.

The government is using monetary policy to reduce inflation — with some success. Inflation has dropped from 18 per cent to around 9 per cent but this has put upward pressure on the cost of money and wholesale interest rates. Over the last two months the cost of money has fluctuated considerably. At one point in late April/May banks were paying 25 per cent for call money while deposit rates were 15 per cent. In June call rates were 19 per cent but mortgage interest rates were at 16 per cent.

This is why, say the banks, interest rates have not come down as fast or as far as the public expects or the government would like.

One result of the increased activity in the banking area has been the growth in overseas exchange dealings in New Zealand and arranging of foreign based loans. This has been encouraged by the increased international interest in NZ dollar dealings.

Recognising the benefits of New Zealand's strategic time zone for international dealing — it is the first country in the world to open in the morning and is conveniently located in time between Hong Kong and New York — government-supported efforts are underway to establish New Zealand as a major world financial centre. This is, however proving to be slow in gaining acceptance from overseas financial markets.

The former Trustee Savings Bank, Trustbank, which is fighting hard to increase its already extensive home mortgage market, is not yet registered by the reserve bank as a full bank. However, legislation earlier this year opened the way for this by changing its structure so as to turn each regional bank into a public company. This places them on an equal footing with other financial institutions. Their extensive charity activities have been transferred to a newly-created charity trust.

The trust banks do retain, at least for a time, one privilege not available to trading banks — the retention of a government guarantee on deposits. The trading banks argue that retaining the guarantee gives Trustbank an unfair advantage and the government says the guarantee will be removed once the trustee banks have shown they have an adequate level of operating capital.

Nine of the regional trustee banks had earlier formed themselves into an alliance to operate as "Trustbank". They also shared in the development and setting up of a nation-wide electronic funds point of sales transfer system (Eftpos). For more than three years this has competed fiercely with the system jointly owned by the four trading banks.

In June the two banking groups merged their Eftpos operations to provide one joint system accepting all cards issued by any of the participating banks. This reflects, first the fact that Eftpos has not achieved public acceptance and popularity in New Zealand as quickly as the banks originally anticipated, and second the resistance of retailers to have more than one terminal on their counter.

Despite this resistance there are already 2,600 Eftpos terminals in New Zealand, one for every 1,200 people.

Both banking groups expect a big jump in retailer acceptance and in the number of terminals as a result of the merger. However, it will be a long time before electronic payments supercede payment by cheque. New Zealanders are among the world's most prolific users of cheques, writing 430m a year — an average of three a week for every person in the country.

During the next 12 months there will be further extensive changes on the NZ banking scene. These will almost certainly include the sale of one of the state-owned banking organisations under the government's programme of selling-off state assets, a prime potential candidate being the Development Finance Corporation.

Initially established to assist companies and institutions needing development finance, the DFC was restructured into a merchant bank last year. It recorded a net profit of NZ$21.79m for the year ended March 31. This was down from NZ$36.25m and was affected by the October stock market crash.

The DFC wrote off NZ$70.47m to cover losses from this. In its first full year as an investment banking group, however, its net investment income rose from NZ$40.54m to NZ$55.51m.

Aftermath of the crash

High fliers are grounded

DURING THE stock market boom several NZ financial entrepreneurs and corporations caught the public imagination by taking their companies to spectacular heights.

In the October crash the NZ share index plunged nearly 60 per cent — a greater fall than any other market. Among those hardest hit were many of the well-known high fliers, especially Judgecorp, Rada Corporation, Equiticorp Holdings, Chase Corporation, Euro-National Corporation, Robert Jones Investments and Brierley Investments Ltd, as well as many others.

Their share prices crashed by 50, 60, 70 and even 80 per cent. The sharp drop in share values coincided with a severe economic downturn and indeed aggravated the economic decline. The effects have been felt throughout the NZ financial world and the economy.

The number of bankruptcies, receiverships and liquidations soared — liquidations rose nearly 50 per cent in the December quarter with more since then.

Some observers put some of

Banks realised how exposed they were

the blame on the banks for NZ's over-reaction. Critics say that instead of trying to ride out the collapse by realising that the financial problems of at least some of those in trouble could be temporary, the banks took fright.

The Bank of New Zealand, for example, which had a large exposure to the two biggest collapses — Judge Corporation and Rada Corporation — has placed at least a dozen public listed companies, mostly small and newly-established, into receivership. But its two big debtors to which it had loaned hundreds of millions of dollars to finance share deals which fell apart when prices plummeted, have not yet suffered that fate — presumably in the hope that some of the losses might be recovered.

The assets of Rada, which was originally chaired by Mr Bob Gunn, a director of Goodman Fielder Wattie, have been liquidated. What will happen to Rada's huge debt has yet to be decided but now, with the Australian group, Elders IXL in effective control, the consortium of banks holding the loans are dealing with a new group.

A task force comprising representatives from Judge Corporation's main banks is managing that company's assets and trying to sell off assets now much depleted in value, in an endeavour to reduce huge debts.

Most of the other major NZ companies are surviving in the new environment. Brierley Investments, for example, bit the bullet, wrote off its losses, produced a profit of NZ$54m for the half year and is on track for a reasonable year-end profit. Its share price which slumped to $1 has recovered by 50 per cent in the past few months.

Most companies involved have had to sell off substantial undertakings and assets to reduce their heavy debt burdens. Among numerous examples is the sale by Chase of its UK Chase Property Holdings, Equiticorp's selldown of its Guinness Peat non-banking activities, Aurora Group's disposal of its disposable shareholding in Britain's Hampton Trust and Brierley Investment's sell-off of several NZ operations, including the building group Winstone's and its 35 per cent stake in NZI Corporation.

The banks are now demanding much more prudent debt-equity ratios. During the boom much of the cashflow of several companies came from the profits made through share market transactions. Now the emphasis has switched to asset-backing and interests which can be financed through normal trading activities.

Competition between the many new banks now operating in the newly de-regulated environment has been intense, so that before the October crash companies were often able virtually to dictate their own terms. Since the crash the banks realised how exposed they were.

Today the position of the entrepreneurs who capitalised on that extraordinary NZ bull market is varied. Some, like Charter Corporation, one of the smallest and oldest of the new type of company — are being liquidated. This resulted from Charter's failure to secure long-term funding. It claims its lead banker changed its mind on an earlier arrangement.

Mr Chris Castle, the managing director, who is still involved unravelling the new company he created in 1983, blames the changed attitude of the banks and — with hindsight — his company's unwise investments in a goat and alpaca breeder, Arpac International, which is now also in receivership, as the main reasons for his company's collapse.

Mr Bruce Judge, who has maintained a low profile in Australia, since he resigned from Ariadne Australia, is reported to be considering staging a comeback. Reports say he is trying to purchase a controlling interest in Ariadne through another company.

Mr Judge's personal fortune suffered considerably, tumbling him from his former position of being among the richest men in NZ or Australia.

Literally thousands of others involved in business, even at middle and junior management level, who borrowed to buy shares, have seen their paper wealth disappear and now face huge debts.

Sir Frank Renouf, who lost 90 per cent of his fortune, was closely tied to Bruce Judge through their association with the Renouf Corporation. This is now only a pale shadow of its former size. Sir Frank's company was named the world's worst performing share by the Wall Street Journal.

Three other NZ companies were in its list of the 10 worst performing stocks worldwide. These were the Chase Corporation, Capital Markets and Crown Corporation. Sir Frank says that despite his earlier successes as NZ's first merchant banker, the only real wealth he made was in real estate.

Even the huge empire of NZ's richest man, the reclusive John Spencer, who heads a successful paper manufacturing group, was affected. He invested heavily in three companies which became noticeable share market failures. These were Euro-National, still operating in a reduced form, Energy Corp, now in receivership, and Judge Corp. Mr Spencer is reported to be selling assets including the lucrative toilet-making operation, Caxton, in order to reduce the debt burden..

Mr John Todd, whose family fortune is based on oil and who last year sold the Mitsubishi car assembly plant near Wellington to the Japanese car company, also suffered through share transactions. One was to acquire NZ$ 58m of Judge Corp shares which are now worth only a tiny fraction of that.

For most of the other entrepreneurial companies the past eight months have been a matter of moving quickly to make the best of what was certainly a very painful lesson.

The personal penalties paid by less known share market operators is shown by the bankruptcy of one middle-ranking Auckland business executive who owes millions of dollars after the value of his share portfolio, used as security for borrowing, fell spectacularly. He suffered NZ$ 2.8m turnaround in his fortunes.

The efforts of Mr Bruce Judge to reassert himself have attracted a variety of responses. Institutional investors suffering heavy losses on huge blocks of shares they hold in his companies have misgivings. The banks may think that Mr Judge himself is the best one capable of recovering the millions of dollars owed but that would involve putting up more risk money.

Dai Hayward

Stock market recovery is slow

Fall from on high

THE NEW Zealand market is still well below its level of last October. Though it is again on a recovery path, so far it is mainly overseas investors, particularly Australians, who recognise the long-term opportunities offered among New Zealand's leading industrial stocks.

In five years from 1982 the NZ Barclays Index – covering the 40 leading stocks – rose from 552 points to 3,969 points – a rise of 619 per cent.

This compared with rises over the same period of 250 per cent for the Dow Jones, 285 per cent for Nikkei and 400 per cent for the Australian All Ordinaries.

After the October crash the NZ Barclays Index plunged 59 per cent. The Australian and the Dow Jones went down 50 per cent and the Nikkei 22 per cent.

There were several reasons why the NZ market fell faster and further and is taking longer to recover than other markets. First, it crashed from a higher level. There had been a lack of commercial logic in many investment decisions and, in addition to the large influx of unsophisticated first-time investors, many were buying large parcels on margin funded by borrowing. Finally New Zealand had more entrepreneurial investment companies whose share prices had moved well ahead of their asset value.

The resulting financial collapse of some of these companies, along with some prominent corporate failures and revelation of secret put options, inter-locking share arrangements and heavy borrowing by companies based on the former high value of their share portfolio, shook the confidence of the investing public severely.

This confidence was further shaken by uncertainty over the government's proposed taxation plans – especially those which could affect superannuation schemes. Conflicting signals over the government's future financial moves came just when the market needed firm reassurance.

As a result, fund managers and those handling the placement of superannuation funds have preferred to keep these liquid in case threatened taxation changes create an outflow of funds.

First-time investors also deserted the market in their thousands, after suffering substantial losses on the value of their shares. The relatively high interest rates still offered in NZ have encouraged many investors to place their funds with the banks or financial institutions at a secure 16 per cent, rather than in the equity market.

The crash also saw the virtual disappearance of what had become something of a NZ phenomenon – the small, or social, or workplace-based share club. These, usually of ten or a dozen friends or workmates would contribute NZ$20 or NZ$30 a week to a common pool for investment in selected stocks. Regular weekly or monthly meetings to select investment shares, and learn how their portfolio was performing became social gatherings.

Collectively the thousands of share clubs operating during the boom, were pouring millions of dollars of new investment money into the share market – money which is no longer available.

These factors all depressed and delayed the recovery of the NZ market which struggled to get back above the 2,000 point level. Buoyed by strong Australian interest it went above 2,000 points three times in early June only to slip back again as the market eased. It was mid June before the index seemed to settle above this psychological level.

Fundamentally the NZ market is now more soundly based and should continue its slow recovery. Investors have concentrated on the top half dozen stocks of leading industrial companies, nearly all of which have international operations. These include Fletcher Challenge, Brierley Investments, Carter Holt Harvey, Goodman Fielder Wattie and a few others whose names are recognised on both sides of the Tasman and further afield.

This emphasis on leading shares is reflected in trading patterns. Between early March and mid June dealings in Brierley Investments' shares averaged 1m a day. On some days one in every six shares traded was this company's and 5 per cent of the company traded through the stock market in just over three months. This has helped the price move up 40 per cent this year – although it is still well below the pre-crash level.

Australian investors, particularly the institutions and professional fund managers, began showing increased interest in NZ leading stocks around last April and have steadily supported the market ever since.

Brokers say that 50 per cent of the turnover in the top four NZ stocks in June was due to Australian investment.

The light turnover volume has forced all stockbroking firms to trim their operations, cut costs and improve their service. Nine stockbroking firms ceased trading, although one was able to resume after restructuring. There have also been some mergers among smaller firms.

The stock exchange has substantially tightened its financial controls and is also introducing tighter listing requirement for companies.

Company directors have been made more aware of their responsibilities. Allegations of insider trading were widespread in NZ earlier this year, and although Mr Kevin O'Connor, chairman of the Wellington Exchange and vice president of the NZ Exchange, does not accept that stockbrokers or their staff were involved to any great degree, the exchange has tightened its rules. It has also welcomed government action against insider trading.

Brokers hope that these moves will improve the image of the NZ market and attract offshore investors. It has been overseas interest and investment which has enable the NZ market to consolidate and develop the much firmer trend and confidence now in the market.

In late May and early June the market started to pull some of the second string stocks which for several weeks earlier in the year were hardly trading.

With inflation and interest rates falling, tax reductions for company and personal taxpayers coming into effect in October, the introduction of an imputation system affecting tax on dividend payments, and the fact that many shares are still below their asset value, should help increase renewed interest and activity in the market.

Dai Hayward

FUTURES EXCHANGE

Contracts to offset risk of inflation

IN CONTRAST to the sluggish and depressed stock market, over the past months, the NZ Futures Exchange has been booming. In March it had its best ever month since it started operations in January 1985, trading 43,988 lots with a turnover of just under NZ$6bn. In June it recorded its best ever day with a turnover of NZ$700m spread over 4,764 lots.

Although volumes overall have been rising, activity has been particularly concentrated upon two interest rate futures contracts – the 5-year government stock contract and the 90-day bank bill contract – reflecting this year's volatility in New Zealand interest rates. Many more financial and call group companies are now concerned to offset risk by taking out futures contracts.

The 90-day bank rate contract was designed to offset short-term risk and has become very popular. Last year it was trading 150 lots per day. In June this year it had climbed to 450 lots per day. The exchange is confident that by the end of this year, it will be handling 850 lots per day – a growth of 420 per cent.

Trading in the government stock contract climbed from 18,932 lots in May last year to 31,243 lots in May this year.

The exchange was the first to have automated trading

The share market crash last October had an immediate effect on the futures market. As the Barclay Index of the top 40 shares plummetted, trading on its future also slumped. In May last year Barclays future index traded 2,028 lots with a value of NZ$755m. In May this this year future dealers handed only 1,388 lots with a value of NZ$63m. Trading on this contract is 70 per cent down.

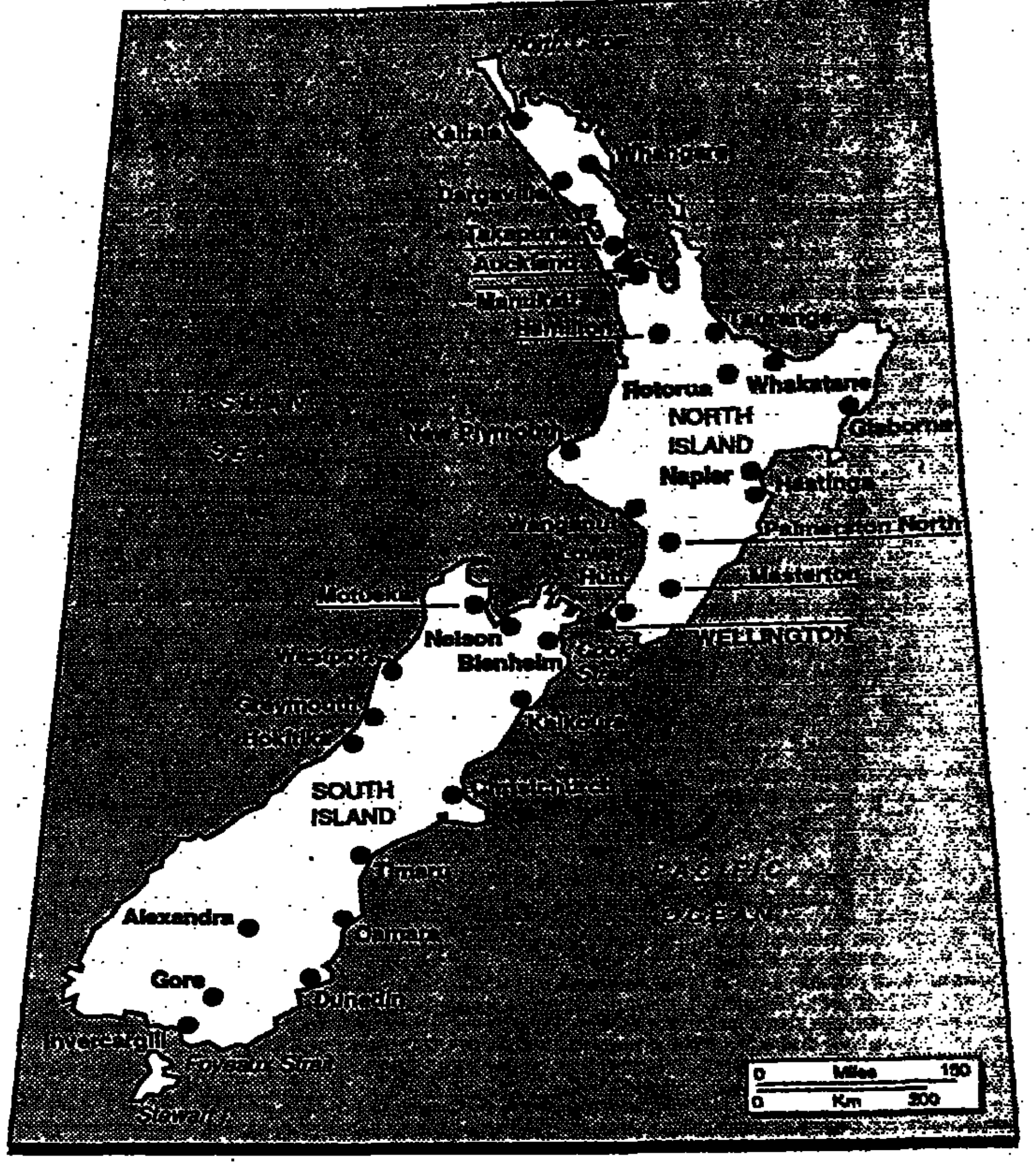
The crash was also indirectly the result of one futures dealer going out of business through loans to a sister company, which suffered extensive losses on the market. However that dealer's seat was quickly snapped up by one of the many traders actively seeking one of the 17 seats available on the future exchange. The price paid reflected the interest which the NZ Futures Exchange has generated. The exchange is forecasting an overall growth of 110 per cent in the current financial year. Although this might seem a substantial increase, it will in fact be the smallest percentage growth in any of the three years since the exchange started operating.

The growth has been due to an increased awareness among companies of the possibility of protecting short-term risks; an education and promotion programme by the future exchange itself, and the greater sophistication now being introduced into the NZ financial market.

Many large businesses and firms have become more expert in managing their fixed risk situation. Several have now set up a formal treasury operation for the first time.

The NZ Dairy Board, which has operated its own treasury department to handle the huge overseas funds generated by export sales, has been held up as an example of what other large NZ companies could do.

Tuition in options and futures have been introduced into NZ university degree courses. To help meet the demand for trading in futures, the exchange, which at present offers five different future contracts, plans to extend its range of contracts. It introduced a new 10 per cent government stock contract in June. By the end of this month, a new NZ$ contract will be made available. This will work alongside the existing US dollar contract which has been popular with dealers. Before the end of the year, the exchange will also have a new exchange traded option contract.



The NZ Futures Exchange was the first in the world to introduce automated trading. The NZ system was studied and used as a model by the London Futures and Options Exchange in its new automated trading system. Other countries have also copied the NZ techniques.

New Zealand is now upgrading its screen trading system with new technology to handle the rapid expansion which the exchange expects over the next few years. Dealing will become even more sophisticated.

Much of the increased business over the last six to eight months has come from Australia where investors have become a major participant in NZ futures dealings. There is also a growing interest from the US.

There have also been enquiries from Australia seeking the acquisition of a seat on the NZ exchange. One Australian broker has set up an office in Wellington actively to pursue this goal and there is now a debate as to whether the exchange should expand the number of seats.

One contract which has gone against the rising trend is wool futures. This was the first futures contract available in New Zealand and provided the impetus for setting up the exchange in 1985. However, over the past year trading in the wool contract, which was already below average, slipped from 443 lots to 140 lots.

There are several reasons for this. Some of the early future exchange dealers were wool exporters who have since sold their seats and thus lost some of their interest in wool futures. In addition, the speculation aspect of futures trading has moved into the financial sector. Added to this is the fact that most farmers, who might be interested in dealing in futures for their wool, do not understand the operations of the future exchange.

Overseas experience in commodity futures trading shows that New Zealand wool futures trading is well below the level experienced elsewhere. Last year, only about one seventh of the wool clip was traded on the future exchange. On overseas markets anything between 100 per cent and 700 per cent of the physical commodity product are traded.

The NZ Futures Exchange is anxious to try and improve the performance of its wool contract and is looking at specialised educational programmes aimed at farm and rural advisers.

Overall, however, the NZ Futures Exchange is buoyant and active.

Dai Hayward

Dal Hayward on the Forestry Corporation

Production boom

TRANSFERRING CONTROL of the government forestry department from civil servants to a state-owned enterprise, run on commercial lines, with its own independent board of directors, provided the NZ taxpayers with a NZ$100m benefit in its first year of operation.

It was the first time for 70 years that the government, or taxpayer, had received any financial return from its forestry operations, despite the hundreds of millions of dollars of government money poured into state forestry during that time.

Before the corporatisation of the former government department last year the state was providing a cash injection of more than NZ$70m a year. The new streamlined corporation made a profit in its first six months despite — or probably because of — shedding 4,300 of the 7,000 staff. All the staff who left did so voluntarily, accepting generous redundancy packages which averaged NZ$17,580 tax free per worker.

Despite the severe pruning of the work force, particularly among head office and salaried staff, production, especially in forestry logging operations, increased dramatically.

The old forest service manned by public servants had no profit incentive and with a government cash injection of almost NZ$1.5m every week, had no real costing or financial system, no normal profit or loss account and accounted for its gross expenditure on a cost plus basis. This has now completely changed and the new Forestry Corporation is efficient, completely cost conscious and prepared to compete with any commercial forest operation in world marketing.

A boom in timber production is already underway in New Zealand and will accelerate rapidly over the next two decades as the country reaps the benefit of the massive plantings of soft woods continuously since the 1960s. New planting is now being cut back with more emphasis and expenditure going into processing, and marketing to sell the trees now coming into maturity.

The three major private forestry companies, New Zealand Forest Products, now being merged with Elders Resources of Australia, Fletcher Challenge and Carter Holt are all undergoing the same rationalising and upgrading their milling and production processes to ensure they can compete with the international forestry companies.

New Zealand Forest Products: cutting the trunks to size

The industry must become more cost effective and internationally competitive because timber production will double by the year 2000 and increase another 50 per cent by 2013.

In the past 25 years the area of planted forest in NZ has trebled to around 1.2m hectares. The Forestry Corporation manages over half — 52 per cent of this. Today around 5m cubic metres of timber a year are harvested. This will reach 11m cubic metres by the year 2000.

Commercial forest plantations are now spread throughout the whole length of New Zealand although the major operations are centred around Rotorua in the central North Island. The big pulp and paper plants are located in this region to tap the resources of the huge Kaingaroa state forest — the largest man-made forest in the world. In addition to the pulp and paper mills, the forest meets the needs of a range of forestry requirements from whole logs, for export to Japan, to the production of sawn timber.

The Forestry Corporation's Waipa sawmill alone, one of the biggest in New Zealand, produces more than 200,000 cubic metres of sawn timber every year. There are 400 sawmills scattered throughout New Zealand. This year they will produce 2m cubic metres of sawn timber with half provided by four companies — Tasman Lumber, New Zealand Forest Products, Carter Holt Harvey and Prolog, which is the new commercial saw milling arm of the Forestry Corporation. The corporation produces 12 per cent of the country's saw milling output.

During the past year, demand for sawn timber within New Zealand was substantially reduced because of the slowdown in the economy and fall-off in house building. Lower prices meant a drop of more than NZ$3.5m in revenue for the Forestry Corporation but its reduced costs and overheads compensated for this.

Fletcher Challenge Ltd, which is now the world's third largest paper and forestry group has 165,000 hectares of forestry in New Zealand. It acquired 20,000 hectares of these after a savage stockmarket battle with Elders Resources of Australia and NZ Forest Products - NZ's pioneer large-scale forestry operator. Fletcher Challenge withdrew its opposition to the proposed merger of NZFP and Elders in return for the right to buy, at a favourable price, the 20,000 hectares of prime trees. This vastly improved FCL's range of trees. Companies engaged in internationally large-scale forestry operations must have a wide range of trees of different maturity and value to provide a continuing supply and a variety of products to their worldwide customers. The acquisition of part of NZFP's forestry resources filled a gap in FCL's forestry range.

Although FCl is a giant forestry company in its own right, forestry operations in NZ provide less than 10 per cent of the company's total earnings. It has however expanded internationally, particularly in Canada where it has acquired the giant Crown Zellerback Forestry company and to a lesser degree in the US.

During the past year FCL through its forest subsidiary Tasman Forestry invested more than NZ$2m scientific research and genetic development of radiata pine — New Zealand's major commercial tree.

New Zealand, and particularly Tasman, has long been a world leader in genetic development to improve tree growth and wood quality. It is now stepping-up this research in an effort to reduce processing and milling costs by growing straighter, taller trees with fewer knots or blemishes, in a faster time.

The Forestry Corporation also has an extensive research division which has had considerable success in creating genetic improvements to seed and trees. The state-owned forests now show the benefits of a 30-year breeding programme to improve tree quality. Most of this comes in the second generation of trees and this is where New Zealand, where pinus radiata grow to maturity in 25 years — much faster than in other countries — has an advantage.

Tasman has also built a modern type sawmill using Swedish techniques and equipment at Rainbow Mountain Rotorua as part of the up-grading programme needed to cope with the extra wood which will be coming out of the forests over the next decade. New technology is being introduced into the NZ forestry and milling industry at a rapid rate.

The production of re-constituted panels has also expanded: New Zealand had the first medium density fibre-board mill in the southern hemisphere but over the last two years two more mills have been opened and exports have grown.

DAIRY INDUSTRY

An anxious wait

NEW ZEALAND dairy farmers, and the dairy industry, are in what can only be called a state of nervous anxiety as they wait for the EC decision on the future level of New Zealand butter exports to Europe. The access quota of 74,500 tonnes is now being reviewed amid clamour from some EC countries and farm lobbies for substantial cuts. If imposed, they would push many more NZ dairy farmers to the brink of survival and quite a few over the edge.

Any EC reduction in the NZ butter quota would, says the NZ Dairy Board, be only "a ritual cut", imposed to appease the European farmers. It would bring no direct benefit to EC farmers. The milk quotas for UK producers would not be increased at all if less NZ butter were allowed into Britain, dairy industry leaders argue.

Board executives claim that Community and EC government officials privately admit this. They admit too, according to the board, that New Zealand's major problem is directly due to the EC failure to honour its original pledge to New Zealand.

When Britain entered the EC in the 1970s, the treaty clearly stated, according to the board, that the EC would not frustrate New Zealand's efforts to diversify its butter exports. Instead, the EC has dumped thousands of tonnes of cut price butter on international markets causing a collapse of world prices and damaging sales and returns to New Zealand and other traditional butter exporting countries.

In those days the European Community was a net importer of butter. But then its internal subsidised dairy policy quickly led to overproduction and the creating of the European butter mountain. Since 1972, the EC has tripled its butter exports and now sells overseas — on the limited world market which is available — more than three times as much butter as New Zealand.

New Zealand also argues that the Community has a commitment, under the present General Agreement on Tariffs and Trade, not to increase existing levels of support and protection to its own producers. This, says dairy board chairman Mr Jim Graham, "must surely mean not reducing the already limited access for New Zealand butter to the EC markets," since reducing access would, in effect, provide more protection and support for EC domestic butter producers.

NZ also argues that if the EC cuts its surplus production and stops dumping on international markets, world prices will quickly rise — in fact they are already doing so — and everybody, including the EC taxpayer, would benefit.

Although market prices for other dairy products, apart from butter, are higher than they have been for many years, the net incomes for New Zealand's 14,200 dairy farmers will be less than NZ$18,000 this year. All farmers have cut maintenance, fertiliser and other farm costs to the minimum. Hundred are surviving financially only because their wives have gone out to work, or the farmer himself has taken on a second job between the morning and evening milking.

The continued high value of the NZ dollar which is helping to maintain high interest rates, along with the government's tight monetary policy, has nullified any benefits the farmer might have received from higher export prices.

Claims that European farmers are suffering, because of Community efforts to reduce milk production, bring a wry smile from NZ dairymen. They point out that the substantial drop in the standard of living of NZ dairy farmers over the past few years has caused them more suffering than their Common Market counterparts have experienced.

Last year New Zealand exported 155,000 tonnes of butter — down from 191,000 tonnes the previous year. It now has a stockpile of 30,000 tonnes but, unlike the EC stockpile, this is not bought by government funds, but is held by the NZ Dairy Board, which is financed by the dairy farmers themselves.

New Zealand is trying desperately to reduce its butter production by putting more emphasis on cheese and wholemilk powder. However, all dairy products start from the same basic raw material — milk — and it is impossible to eliminate the butter fat content.

This season it will have around 200,000 tonnes of butter for export. Early this season the board secured a 40,000 tonne butter sale to Iran worth US$40m — despite the pressure on its foreign exchange funds Iran paid cash — and NZ has hopes of further sales there.

Restraining butter production also means limiting the quantity of skim milk powder and casein which can be manufactured. Prices for both have increased over the past few months.

The dairy board has developed considerable expertise at producing products tailored especially to suit the taste or even the customs restrictions in various markets. It now has a feta cheese factory working to capacity to produce 4,000 tonnes for Iran. Next season the factory could be expanded to produce 8,000 tonnes to meet demand from the Middle East.

A decade or so ago Cheddar was the major type of cheese produced in NZ and was especially popular in Britain. Cheese factories still produce large quantities of Cheddar but they now also make dozens of other types of cheese — including French-type cheeses. These have become very popular with NZ consumers.

New Zealand's total cheese production this season will be 122,000 tonnes of which 101,000 tonnes is available for export. This is 15,000 tonnes more than last year but world demand for cheese is high. Export sales last year were worth NZ$276.7m.

In an effort to reduce butter production, New Zealand is trying to turn more of its milk into whole or skim milk powder and cheese. This means it also had to limit production of casein for which there is a growing world demand. Casein is now being used in a whole range of manufacturing processes. Because supplies, not only from New Zealand but other producing countries are tight, prices have risen more than 50 per cent over the past 12 months and appear likely to go even higher. With production limited to 62,000 tonnes for both this season and next year, New Zealand has been forced to ration casein sales to some potential customers.

One of the many New Zealand dairy industry success stories is in the development of a pure soluble total milk protein. This is now widely used in the US food industry as an additive in a whole range of processed foods. It is worth US$8,000 a tonne and the NZ dairy industry is planning to capitalise on this profitable opportunity by increasing production capacity.

Most, but not all, of the income of the NZ dairy farmer comes from the sale of products manufactured from the milk he produces. Just a few years ago the dairy board, which is the sole seller of all dairy exports, confined its activities to shipping and marketing NZ dairy products to traditional buyers. Once Britain absorbed 90 per cent of NZ dairy exports.

Today the board has become an international trader with a global network of companies. It is now the world's third largest dealer in dairy products after Nestlé and Kraft. It has been involved in many diverse counter trade deals — involving butter for cars from the Soviet Union, for oil from the Middle East and orange juice from South America. Despite doubling its orders for Soviet-built Lada cars, and shipping supplies of Australian meat to the Soviet Union to meet a demand which could not be filled from New Zealand, NZ has sold only 4,000 tonnes of butter to the Soviet Union this year. This is because of the sale of a half a million tonnes of butter at give-away prices by the EC. Without this New Zealand would have expected to sell 20,000 to 30,000 tonnes of butter to the Soviet Union this season.

To gain improved access to world manufacturing and consumer markets it has acquired companies in the US, South America and Asia. It now has 30 wholly-owned or associated companies around the world

To help establish sales of dairy products the board has organised sales of fertiliser between the Soviet Union and Chile and rice between Chile and Australia.

The objective of this international trading, and the establishment or acquisition of companies or subsidies in other countries, is to obtain greater access to domestic markets and end-users of milk-based products and create greater opportunities for NZ exports.

The NZ dairy industry is convinced that if the EC makes an effort to reduce milk production and eliminate stockpiles, it will, in the very near future, produce a situation where supply and demand come into balance and world dairy prices return to healthier levels.

Dai Hayward

WOOL PRODUCTION

Move to merinos

THERE ARE two and a half million fewer sheep roaming New Zealand's hills and high country sheep stations, than two years ago. By the end of next season another half million will have disappeared from the national flock. This will mean about 65m sheep on New Zealand farms – down from 68m in 1986.

Wool production during the coming season will also be down by about 10,000 *tonnes*. Forecasts for the 1988-1989 season are for 345,000 tonnes of total wool production. The number of sheep in New Zealand has been falling since 1983 – reflecting the downturn in sheep farming. Only the rise in wool prices which firmed towards the end of last season, enabled many farmers, who are in serious financial trouble, to survive.

Most of New Zealand's wool clip is crossbred coarse wool and prices for this were stimulated by the demand for lightweight clothing. But they did not improve as much as for fine wools, however, and with most of New Zealand's fine wool, which is produced on the large high country sheep stations of South Island, being sold before Christmas, few New Zealand growers benefitted from the increased prices (which were followed by another decline).

The average price for clean wool over the whole 1986-87 season was 555 cents a kilo but prices were higher – 582 cents a kilo – when the season ended in July last year. They improved on this again during the season just ending to reach 582 cents by May 31. Optimists in the industry are hoping for an average price of around 620 to 630 cents a kilo.

Traditionally sheep farming in New Zealand has been a two crop industry – wool, and lambs for the vast meat export trade. With the collapse of world meat prices, however, many farmers have changed to farming for wool only. This has enabled them to cut labour and other costs, which in recent years often virtually wiped out their returns from meat.

Along with this trend has been a move away from crossbred sheep into merino and other breeds which produce fine wools. Merinos are not suitable for lamb meat production. Originally confined to the high mountain areas of South Island, Merinos and other fine wool breeds are now being introduced into the low rainfall areas of North Island. This has created a demand for Merino ewes which are selling for three times the price of Romney or other crossbred breeding stock. However, fine wool still accounts for only 8 per cent of the clip.

Sheep farmers introducing Merinos into new farming areas have invested heavily in time and money to improve quality, which is sometimes affected by the change into new grazing and climatic areas, and now receive top prices for their fine wools.

The government's agricultural research division is also concentrating on identifying sheep genes that help produce heavier fleeces. They have also identified a gene, found in the Corriedale, which gives sheep increased protection against footrot in wet conditions.

Growers are concerned that the volatility of the NZ dollar and its strong exchange rate, particularly against the US dollar, could affect buying demand for NZ wool. Three times in June the NZ dollar set a new record against the US currency and some buyers particularly China, may limit their buying. Over the past few years China has become NZ's single biggest customer. Last season it took 20 per cent of all wool exports. It is followed by Japan, the Soviet Union and the UK but these buy less than half of the quantity going to China.

In the first half of the 1987-88 season the volume of all exports dropped 20 per cent over the previous season. Shipments were 101,000 tonnes compared with 127,000 tonnes the previous year. Shipments to China were reduced by more than half for the six months – from 29,000 tonnes to 14,000 tonnes. Exports to the UK in the first half of the season dropped 25 per cent – down from 13,810 tonnes to 10,342 tonnes.

Iran which bought no wool at all during the previous season returned to the NZ auction room this year and at the midway point had already bought 2,189 tonnes.

Internationally, wool is facing greater competition from synthetics this year – partly because of the higher wool prices. Synthetic manufacturers have adopted the marketing strategies of the International Wool Secretariat, promoting their product for high quality specialised uses. Despite this increased competition from synthetics, and other natural fibres such as mohair, wool consumption has increased since the 1970s.

Much of New Zealand's wool is the coarse variety largely used in carpet manufacture. Demand for carpets is influenced by domestic economies with a recession reducing consumer spending. The internal economies of the US and Europe have a considerable bearing on NZ carpet sales and wool prices.

The NZ Wool Board has a policy of maintaining what it believes to be realistic wool prices by stepping in to bid and buy when it believes prices are too low during the coming year. Last season it sold most of its stockpile acquired by intervention buying in earlier years and ended the season holding only 37,080 bales. During the past year, however, it has been active bidding and buying to maintain auction prices and by mid June the stockpile had increased again to 97,000 bales – 16,493 *tonnes*.

This year the board will offer farmers an aditional method of selling – known as GASS or Grower Alternative Selling System – for small lots of only four bales or less. After shearing and classing his wool, a grower is often left with one or two bales of oddment or pieces. To sell these small lots through the auction is costly. The board will buy them from the farmer at the ruling schedule price, and combine the lots from several growers to sell in bulk through the auction ring.

New Zealand is the world's second largest wool producer and exporter (after Australia) and the fibre plays an important role in New Zealand's economy. In the 1987-88 season, exports will be worth around NZ$1.59bn, up from NZ$1.55bn last season.

More than 90 per cent of the wool clip is exported to more than 50 countries. Another seven per cent of wool grown in NZ is exported in manufactured form, mainly as carpets to Australia and the US, and as carpet yarn to carpet manufacturers in other countries. It is the world's main supplier of coarse wools, producing 45 per cent and exporting 70 per cent of all coarse wool traded internationally.

Dai Hayward

OIL

Controls lifted

THE DE-REGULATION of the oil industry, the privatisation of the government-owned oil and gas exploration and distribution group Petrocorp, and the abrupt termination by the government of plans to sell the giant energy group to British Gas, have been among major developments in New Zealand's oil and gas industry during the past few months.

Negotiations with British Gas to acquire Petrocorp for around NZ$800m were well advanced. The government was anxious to complete a sale before the end of the financial year because the proceeds were needed to boost its budget figures.

News that the successful, New Zealand-developed energy group could pass to overseas ownership was not greeted with enthusiasm in New Zealand and there was considerable opposition from those opposed to foreign ownership.

Suddenly, almost within hours of the final contract being signed, the government said the deal was off. It blamed last minute conditions and warranties demanded by British Gas as being "unacceptable". The minister in charge of state owned enterprises, Mr Richard Prebble, publicly blamed the British company for the collapse of the deal.

Almost within hours, however, the government had a new buyer for its 70 per cent stake in Petrocorp – the successful, NZ-based international combine, Fletcher Challenge.

The NZ investment group, Brierley Investments, had previously bought 15 per cent of Petrocorp directly from the government and another 15 per cent had been floated to the public. Since the Fletcher Challenge – NZ government deal last March, FCL has since bought Brierley's 15 per cent holding and made an offer for the remainder of the public shares.

Petrocorp, plus its subsidiaries, is NZ's leading oil and gas producer. It has a 50 per cent ownership of the offshore Maui gas condensate field which is of world size. Maui provides 89 per cent of NZ's gas supply while its condensate production, along with the crude oil from the McKee oil field – also owned by Petrocorp – provides 30 per cent of New Zealand's liquid fuel requirement.

When it was sold to Fletcher Challenge, Petrocorp had assets of NZ$1.4bn. It was predicting a profit of NZ$150m for the current financial year. Natural gas from the Maui field, and the onshore Kapuni field, is distributed throughout the north island of NZ by a network underground pipe line operated by Petrocorp.

In addition to the McKee oil field which now produces 10,000 barrels of crude oil a day, New Zealand also has other onshore wells in the Taranaki province which has become the Texas of New Zealand's oil industry.

In February this year oil was struck at the Waihapa field with the number one well producing 2,400 barrels a day. In mid June results indicated this could become the largest oil producer in New Zealand, with production now up to 3,000 barrels a day from the one well, and plans in hand to drill several more. It has been estimated the Waihapa could contain 40m barrels.

The acquisition of Petrocorp also gave FCL an entrée into the Australian petrochemical industry where it operates two plants. Both use natural gas with one producing 150,000 tonnes of urea a year and the other 485,000 tonnes of methanol.

On the retail front the de-regulation of the oil industry in April came after decades of strict government control on prices, ownership of service stations, and all other aspects of petrol distribution and retailing.

De-regulation had been foreshadowed by the government for almost two years. Its implementation was welcomed by the four major oil companies. Under the existing regulations during that period they could not buy the ownership of retail petrol. However, newcomers to the industry were not hindered by these regulations and could acquire retail outlets.

The major companies, BP, Shell, Caltex and Mobil feared their best sale sites, with which they had distribution agreements, would be bought up by the new companies trying to establish a chain of retail outlets. To some degree this did, indeed, happen.

With de-regulation there was an immediate rush by the major oil companies either to buy or acquire long-term contracts with independent petrol service station owners. BP, for example, which has about one third of petrol distribution in NZ, is aiming to obtain about 150 outlets. It was quick to cut its retail sale prices.

NZ has been "over pumped" compared with other countries and about 350 of the existing petrol stations are likely to close over the next 2 or 3 years.

The previous government initiated a major expansion programme to increase the refinery output and provide greater flexibility in processing different types of crude oil. This was the biggest construction job ever undertaken in NZ. Both the cost and the need for the expansion has been criticised by the present government. Over the past few years more than NZ$1.8bn of taxpayer funds have gone into the refinery expansion. With de-regulation the refinery faces being put out of business by the importation of cheaper oils particularly from Asia.

The Marsden Point refinery is jointly owned by the oil companies and the general public – which has 31 per cent. They have made it clear that would continue using the refinery only if it remained competitive with other world sources of supply. They were particularly concerned that an independent operator will import cut-priced petrol from the Middle East and South East Asia.

Marsden Point has been making a concentrated effort to cut costs, achieving a 15 per cent reduction this year – despite inflation. In April it achieved a 95 per cent recovery for processing crude oil – a high figure by world standards.

To protect its investment – along with the jobs of the refinery workers and its downstream operations – as well as continuing to provide a refinery for processing NZ-produced condensate, the government will provide financial assistance over the next three years. In addition to taking over outstanding euro dollar loans of NZ$1.2bn, the government will pay the refinery NZ$30m in each of the next two years and NZ$25m in the third year.

Dai Hayward

Paul Hewlett on reviews of health, education and social policy

Counting the social cost of economic reform

OF ALL the political and economic issues tackled by Prime Minister David Lange's government, few have caused more internal difficulty than social policy.

That might seem odd for a Labour government. But there is no doubt that people of all political persuasions will judge it by its achievements in this sphere.

The rampant economic reform of Rogernomics has produced growing numbers of casualties in the form of lost jobs. Even before last year's general election, this social cost of economic adjustment began tugging at Mr Lange's conscience.

In October 1986 he appointed a six-member Royal Commission to examine the extent to which New Zealand met the standards of a fair society and what should be done to improve things.

In health and education, the government set up two task forces to suggest ways of making the services more efficient. The health team was led by Mr Alan Gibbs, an Auckland businessman, while Mr Brian Picot, an Auckland company director, headed the education inquiry.

Not leaving anything to chance, the government also conducted its own social policy review through 17 working parties. These were due to report to the Cabinet's social equity committee, chaired by Mr Geoffrey Palmer, the Deputy Prime Minister, at the end of last month.

Much of this was designed genuinely to come up with the best answers on the vexed issues of social policy. But it was also a means of staving off the most difficult decisions. Much of the uncertainty about the unity of Labour since it was re-elected springs from its internal differences about the best way forward.

On the one hand there is Mr Roger Douglas, the Finance Minister, who believes government overspending on social policy supports a bloated bureaucracy and serves the needs of entrenched special-interest groups like doctors, teachers and social workers.

On the other there is Mr Lange, who backs improved efficiency but strongly resists the application of market forces to such sectors.

The differences burst into the open after Mr Douglas' ill-fated December 17 economic package, aimed chiefly at restoring confidence after the stockmarket crash. Among other things it promised a flat rate of personal income tax and a guaranteed minimum family income for those in work. Unfortunately it was seen to pre-empt the Royal Commission.

In a sudden turnaround, Mr Lange announced that the package was on "hold" until the Royal Commission reported. Mr Douglas, who was in London at the time, flew straight home to salvage some of his changes but, on the flat rate and the income maintenance scheme, he was told to wait for the Commission's findings.

The Commission, now under pressure to produce its report, took its revenge in mid-March by issuing working papers on income maintenance opposed to most of Mr Douglas's proposals. Then in May Mr Lange received the full NZ$ 5.5m report from chairman Sir Ivor Richardson, who said the question was not whether New Zealand could afford to implement its recommendations but whether it could afford not to.

Mr Lange, surveying the 5,000 pages in five lavender-coloured volumes, initially appeared to concur, repeating sentiments he expressed when the Commission was established: that it was a body so prestigious no government could ignore it.

Yet within weeks that was precisely what looked like happening. Mr Lange said there would be no formal response to, or endorsement of, the report, and no chance of implementing any of its advice in this year's budget.

It became known that Mr Palmer was the only minister to have read the report. Wags said it was the kind of report you couldn't pick up once you'd put it down.

For sheer scale the report certainly takes some beating. The Commission received 6,000 submissions, two-thirds of them from individuals, some including videos. It went on the radio and even held free phone-ins to elicit submissions.

In its content the report is severely critical of Mr Douglas' disinflationary strategy and warns that its emphasis on monetary policy threatens to cripple the economy. It says the achievement of low inflation by the "scrapping" of capital during the "transitional" recession jeopardises long-term growth.

Wags said it was the kind of report you couldn't pick up once you'd put it down

"Economic policy has clearly dominated social policy in the pursuit of inflation," the report says. "No additional social policies were proposed to deal with the serious regional and income distribution effects ..."

The report documents the many thousands of people made redundant from the restructuring of the state sector alone, and says full employment should be a higher priority. Overall, it asks for a "better and more humane balance between economic and social policy considerations than has occurred in the past."

The report pleads for a wide-ranging welfare state that cares for the needy, and a society that rewards work for its social worth, not just its market value. There are sections on redress for disadvantaged groups within society.

To pay for all this, it suggests New Zealand has not reached its taxable limit. But on the crucial details of funding, it doesn't even offer a magic wand: "In looking at the funding of social provision, we have not endeavoured to examine in detail how particular existing policies are funded or how specific proposals for changes to social provision might be funded."

To the ideologues of Rogernomics, the Commission's report is that last gasp of 1960s and 1970s "wet" social democratic interventionism. Even those of more moderate persuasion have trouble defending its surfeit of undistilled data and its lack of practical advice.

More helpful were the reports of Mr Gibbs and Mr Picot. Both argued for decentralisation to allow health and education authorities more flexibility to respond to the needs of their "consumers". Both find serious lapses in the management of health and education, and proposed major overhauls to the bureaucracy.

Ironically, however, Mr Gibbs's market-based approach has mostly been rejected by Mr David Caygill, the Health Minister. This has resulted in a conflict between him and Mr Douglas, with whom Mr Caygill worked closely in Labour's first term.

Mr Gibbs's report, entitled "Unshackling the Hospitals," portrays a public health system in a mess. New Zealand is spending NZ$3.4bn on health, or 18 per cent of its spending, of which NZ$2.4bn goes on hospitals. Long-term waiting lists are proportionately longer than in the UK.

Mr Gibbs is also appalled by the UK-inspired triumvirate system of management in New Zealand hospitals, involving doctors, nurses and administrators. He borrows from the 1983 report on the UK health service: "If Florence Nightingale were carrying her lamp through the hospital corridors today, she would almost certainly be searching for the people in charge."

He wants hospitals paid according to their health care output, as in the US, rather than given block grants based on costs incurred. He makes recommendations which, he says, promise savings of NZ$600m – about what the government spends on the police or unemployment benefit.

Mr Caygill, however, is leaning towards the view of those opposed to such changes. He doubts the market-based approach to health, and is suspicious of the NZ$600m savings figure, which Mr Gibbs says is conservative.

By comparison with the others, the Picot report on education is altogether more subtle in approach and argument. It recommends greater independence for schools and more choice for parents and schools regarding what is taught locally, within national objectives.

It also offers nearly NZ$100m in savings, and suggests they be re-spent on education. Though parts of the report have attracted criticism from educationists, Mr Lange, who is also Minister of Education, has embraced it and hopes to make changes by 1990.

That social policy generally remains a problem for him seems indisputable. On the one hand he has portrayed health, education and welfare as sacred votes within the government's programme and rejected business calls to slash welfare spending.

On the other he insists that the budget deficit won't be allowed to explode. That means improvements must come from better use of existing funds. Success would save New Zealand's reputation as the country with one of the most advanced social support systems.

RACE RELATIONS

The emergence of an issue

FOR YEARS New Zealand has portrayed the racial relationship between its 2.8m Pakeha (white) population and the 400,000 or so people of Maori descent as a model of "how we got it right".

Not any longer. Race relations are suddenly a cause for apprehension and uncertainty, and the subject of a tense national debate. Some think race could be an issue of such explosive potential it could decide the 1990 election.

Like most such societies, New Zealand has uniquely complex race relations. For example, heavy intermarriage means there are not many full-blooded Maoris. On the other hand, anyone with Maori ancestry can claim to be Maori.

Formally there are no legal distinctions between Maoris and non-Maoris, but there are four special Maori seats in parliament. There is also a special Maori Affairs department of government, which is now undergoing a restructuring after a loans scandal.

Significant authority among Maoris remains with key chiefs and elders at the top of traditional tribal hierarchies. But urbanisation continues to break this down. On many issues Maoris do not have a single position, making it even harder for governments to deal with them.

The Maoris came to what they called "The Land of the Long White Cloud" some 1,000 years ago from Polynesia. The arrival of white settlers centuries later brought war and death before the two sides settled into an uneven but more peaceful relationship. Nowadays those "settlers" hail from scores of countries.

At the core of this complicated relationship has been the historic Treaty of Waitangi, signed by the British Crown and Maori tribes in 1840.

The treaty guaranteed Maori chiefs and tribes "the full, exclusive and undisturbed possession of their lands and estates, forests, fisheries and other properties." In return, chiefs and tribes ceded "sovereignty" (the word used in the English version of the treaty) or "governance" (according to the Maori translation).

In 1975, following Maori land rights protests, the then Labour government set up the Waitangi Tribunal, and empowered it to investigate Maori grievances under the Treaty.

Although the government does not have to implement the tribunal's findings and has never yet done so, the emergence of race as an issue springs in no small part from the tribunal's work.

This is especially true since 1985, when the present Labour government introduced legislation which enabled the tribunal to examine grievances back to 1840. The move unleashed a flood of claims, and led the courts to ban the sale of state lands subject to claims.

Whereas previously the Treaty had been forgotten by successive governments – a court decision in 1877 even dismissed it as a legal "nullity" – now it became the living document which Maori people have always regarded it as being.

The opposition National party says a Pandora's Box has been opened, and wants the tribunal's work halted temporarily to give New Zealanders breathing space. One National party MP, Mr Winston Peters, has suggested scrapping the Treaty in favour of a more modern compact.

It is just one of the ironies that he is himself of Maori descent, albeit the only one on the opposition benches. His remarks, made in forceful style, have captured the attention of whites, but they don't have the broad support of Maoris.

Even the Labour government probably didn't foresee how its actions would enhance the Treaty's standing, and in effect redefine the balance of power between Maori and Pakeha. Yet that is what seems to be happening.

The most intense debate yet on the issue was sparked last month, when the tribunal announced its finding that all fisheries 12 miles out to sea in the northern part of the North Island belonged exclusively to Maori tribes, and not the state.

White fishermen, fearing they will lose their stake in a multimillion dollar resource, were horrified. Prime Minister David Lange told them "tenants do not lose their rights when the landlord changes," but it is far from clear what the outcome will be.

More controversy is to come. Another 150 Maori claims are before the tribunal awaiting decision. Most seek compensation or the return to tribal ownership of land and waterways. But they cover more than 70 per cent of the country, including most of the South Island.

Despite repeated pronouncements by most Maori claimants that they seek the return of land owned by the state, and not privately-owned land, many in the white community fear there will be no end to the Maori call for a righting of past grievances.

They are already worried by increasing Maori assertiveness: in March there was an angry reaction to the reported comments of a Maori activist to "kill a white and die a hero".

Coming on top of the hardships of the government's market-oriented policies, the Maori "problem" seems to many whites like the last straw. One university sociologist sees the whole idea of biculturalism becoming a focus for their anger, and for some the perceived cause of their economic problems.

In fact whites have long underestimated the smouldering resentment of Maori people whose economic deprivation makes them akin to a brown underclass. Maori life expectancy is shorter than non-Maori, the hospital admission rate for Maori children is double that of the non-Maori, and Maori men comprise half of prison inmates.

Maori life expectancy is shorter

"Rogernomics" has inflicted further harmful effects in the form of depressed provincial regions and unemployment. The emergence of violent Maori gangs like the Mongrel Mob and Black Power, the disproprortionately high Maori crime rate and the dependence of many Maori people on the state for welfare, all serve to heighten white anger, and are driving some white families to emigrate.

For them, the Maori renaissance has undermined their expectation that extensive intermarriage and Maori acceptance of European ways would literally make New Zealanders one people. For many Maoris, however, such a notion was always a myth which had resulted in the dominance of Pakeha values and institutions.

In domestic political terms, this resounding clash of perceptions is more of a problem for the Labour party than the Nationals. As the party which Maoris have long supported at elections, Labour is bound to be viewed anxiously by nervous whites. Add in the Winston Peters factor for the Opposition and Labour's problem is compounded.

There are also implications for the way New Zealand projects itself abroad. A trend towards the assertion of indigenous people's rights is apparent elsewhere in the South Pacific, and many Maoris want New Zealand to develop a more Pacific identity. Moreover, New Zealand's stand on human rights internationally depends for its credibility on peaceful race relations at home.

The reality, however, is that, despite the large fund of goodwill and sincere efforts to right injustices or maintain friendly relations, attitudes are hardening among significant numbers in both racial camps.

The big test will come in 1990, the 150th anniversary of the signing of the Treaty of Waitangi. The government is planning major celebrations, but Maori activists say it will be a celebration of "the Pakeha invasion" and they will try to use the year as an international platform for protest.

Two worrying conclusions emerge. Many New Zealanders, Pakeha and Maori, are wondering when, not if, open racial conflict will occur. And whichever party wins the next election, it will probably be unable to satisfy either racial camp.

Vern Rice

The call is to honour the Treaty of Waitangi

The tourism boom shows signs of faltering

Worrying trends

A VISITOR arriving for the first time in New Zealand could be forgiven for feeling a *time warp. Located* in the heart of the South Pacific, the country more resembles the best of rural Britain and Scandinavia. It is as different from *Australia, its neighbour across* the Tasman Sea, as Scotland is from California.

New Zealand's unique character for a South Pacific country, *its spectacular scenery* and its reputation for hospitality have helped to fuel a tourism boom over the last five years.

Citizens from the crowded *cities of Europe, America and*, more recently, Japan, have discovered in New Zealand an attractive and exotic foil to some of the more onerous aspects of their daily lives: a country that offers open spaces, few people and almost *spotless, pollution-free* countryside where everyone is free to do their own thing. For some young travellers from the northern hemisphere, New *Zealand's anti-nuclear policy* has enhanced the sense of haven and refuge.

New Zealand has been quick to exploit this boom. With its economy in critical shape, it badly needs as many well-heeled foreign spenders as *it can manage. A carefully* developed overseas marketing campaign by the New Zealand Tourist and Publicity Department (NZTP), the government *promotion body, coupled with* the decline of the kiwi dollar, had begun to pay dividends: tourism is now the country's second largest foreign exchange earner after agriculture.

In the year to March, more than *850,000 foreigners* visited New Zealand, an increase of 12 per cent on the previous year. The target is one million visitors a year by 1990. But the *optimistic trend masks a looming* problem, which has sent the travel industry into a renewed bout of navel-gazing.

For several months, the number of visitors from Australia and the United States, New Zealand's top two markets, has been declining ominously. The number of Americans who arrived last March was the lowest monthly figure in three years. The inexorable growth *in arrivals from Japan*, the country's third major tourist source, is also falling.

To some extent, the gap has been filled by a rise in visitors from Britain and Europe, particularly West Germany, Switzerland and Scandinavia. But the *travel business being fickle* and competitive, there is no guarantee that this will continue, particularly with tourists from the other side of the world *who have a vast array of* destinations to choose from.

The latest problems with New Zealand's tourist industry partly mirror the malaise in the economy *itself*. Put simply, high inflation has made New Zealand an expensive country in which to travel, and there are worrying signs that tour*ists are being deterred by this*.

Certainly, foreigners can save on the high costs of such essentials as accommodation, car hire and internal air fares through *discounts offered* by the NZTP and other travel agents on bookings made outside the country. But for many New Zealanders, even with their isolation from most major world centres, it is now far cheaper to holiday abroad. In *June, the New Zealand* travel industry launched a NZ$1m campaign to win them back.

The question of value-for-money has become more pertinent *since the emergence of a* sharp trend away from pre-booked, regimented coach and package tours — even among the structure-conscious Japanese — in favour of own itinerary holidays.

This trend is hardly surpris*ing, as more foreigners dis*cover New Zealand's vast array of remarkable physical attractions. But to actually enjoy some of the more alluring and adventurous ones can be a financial shock.

For example, Mount Cook, in the Southern *Alps*, the country's highest mountain, where Sir Edmund Hillary trained for his conquest of Mount Everest, offers breathtaking skiing *down its glaciers. They can be* reached only by a short hop in a light aircraft, at a cost of NZ$300 (£120) a day.

Until the Lange government's recent deregulation of the airline industry, Queenstown, centre for one of the country's most popular tourist destinations, the South Island's fiords, was served, expensively, by only one airline. The entry of a second carrier, Ansett Air*lines of Australia, has made* schedules more flexible but done little to reduce prices.

In spite of these drawbacks, a traveller who plans and budgets carefully can still gain enormous pleasure from New Zealand, a country roughly the *size of Britain* but with only 3m people.

Almost three quarters of the population, including most of the indigenous Maoris, live in *the North Island, which* contains some of the country's leading attractions. These include the famous thermal springs, geysers and boiling *mud pools of Rotorua and the* world's best trout fishing at Lake Taupo. The North Island's central feature, literally, is the Tongariro national park, *with its magnificent* snow-capped, active volcano, Mount Ruapehu, which provides skiing in the (southern) winter and hunting and hiking, or tramping, as the New Zealanders call it, in summer.

Much of New Zealand's best, however, is in the South Island, which no visitor should miss. Its sparse population and farming economy have helped to preserve much of its splen*dours from the ravages of* development and tourism. New Zealanders are justly proud of their countryside, and have endowed it with an excellent system of well-defined access and walking tracks.

The South Island also *remains firmly British* in character, from food, customs and road signs to urban landscapes. Christchurch, the island's main city, was intended by its *1850s settlers to represent* English society as closely as possible, and it still shows. Further down the east coast, the town of Oamaru has all its streets named after rivers in England and Scotland.

A major highlight of the South Island is a boat trip down the Milford Sound, a fjord of Nordic character and incredible beauty. It is best reached by bus or car from *Queenstown through Lake* Te Anau, a route that stretches through some of the world's most spectacular scenery. More hardy types walk to the Sound *along the Milford Track*, reputed as New Zealand's leading trek. The track takes four days to walk and is closed in the southern winter.

Apart from the favourite places like Milford Sound and Rotorua, more remote parts of *New Zealand have begun to* compete for tourist dollars. The Marlborough Sound region of the South Island, the country's biggest wine growing area, is shaping up as a significant tourist draw, as is the Coromandel Peninsula, with its forests, beaches and fishing grounds in the North.

It remains to be seen whether New Zealand's high prices manage to strangle its tourist boom, or whether the latest downturn — or "cus*tomer resistance*" as the industry puts it — proves to be a hiccup.The country has a first rate and adaptable tourist organisation. The plethora of Japanese translations among the Devonshire tea shops and roast lamb menus attests to that.

And, since it is not easy to persuade the mainstream hotels to bring down their astronomical prices while New *Zealand is going through* an economic transformation, NZTP has begun to promote as alternative and cheaper accommodation an almost forgotten institution, the country pub. One of this writer's highlights was to stay in one such place, the Turoa Lodge, at the foot of Mount Ruapehu, with bed and *a hearty, cooked breakfast for* just NZ$35

With Australians and Americans looking elsewhere, New Zealand is keen to build on the growing market among Europeans, particularly Britons.

Mr Graeme Ching, NZTP's executive marketing officer for the UK and Europe, says New Zealand's profile has been raised considerably through a northern hemisphere marketing campaign, and that there are now *plans to follow this* up with promotion featuring a well known New Zealand personality. "And it won't be a Paul Hogan type."

David Henry

One of New Zealand's breathtaking, but expensive, tourist attractions: glacier-skiing in Mount Cook National Park

THE MEDIA

Rough waters ahead

WHILE THE Labour Government's deregulation and efficiency drives have pushed *tens* of thousands of people out of the public services, manufacturing, and farming, those in television and radio have survived *largely unscathed and some* newspaper groups have even prospered.

But their evasion of the worst affects of change looks *likely to end soon. New compe*tition is about to shake up the electronic media, and new technology is sharpening cost-cutting pressures in the newspaper *industry*.

Among those set to feel the chill is the New Zealand Broadcasting Corporation's two-network television arm, TVNZ.

Since 1980, when the two channels were re-organised from separate competing networks, *TV1 and TV2 have oper*ated what the Broadcasting Corporation calls complementary programming, sharing production and transmission *resources and aiming for* a 50-50 audience and advertising revenue split.

Part of the rationals for the change was a need to cut costs and put more revenue into keeping up production of New Zealand programmes. Operat*ing costs are particularly high* in a narrow, mountainous country more than 1,000 miles long, with only about 2.3m people sprinkled sparsely through *the regions outside the* 1m-strong Auckland metropolitan area.

TV licence fees at $65 a user, raises a paltry $43m compared with the networks' combined advertising revenue of almost NZ$235m in the latest financial year.

But with the Broadcasting Corporation's two non-commercial radio networks and the NZ Symphony Orchestra's tour schedule to support, as well as some loss-makers among the corporation's more than 30 commercial radio stations, TV revenue has drained away to leave a mere NZ$7m surplus last year to fund development.

Not enough, said corporation chief executive Mr Nigel Dick shortly before he resigned, in part over policy conflicts with the board. The corporation is looking for a new chief to steer *the state-owned vessel through* the really rough waters ahead when a third, privately-owned TV network goes to air on March 31.

TV3's chief, Mr Tom Parkin*son promises an aggressive* approach. He has predicted the new channel will help to lift television's share of total advertising spending by business from *30.4 per cent* to 33 per cent. But he has also said TV3 will take almost a third of that, cutting TVNZ's share to about 23 per cent.

After a three-year, NZ$2.5m judicial battle to win the new *broadcasting warrants*, TV3 has probably the four most expensive TV licences in the world. It has won them not long after the share market *crash*, in the middle of a policy of high interest and tight money, and just two years before Australia's Ausset group launches two high-powered communications satellites that will greatly reduce the cost of direct satellite broad*casts to New Zealand homes*.

But Mr Parkinson's aggressive Cockney cheerfulness has not wavered for a moment. He has suggested TV3 will operate with a quarter of TVNZ's staff and may charge 80 per cent of TVNZ's advertising rates, currently about $7,200 for a top-rated 30-second spot. Broadcasting Corporation sales and finance chiefs must have shuddered to hear it.

But both corporation and private radio executives must have shuddered to hear of TV 3's advertising sales pitch and positively quaked at the statement of the new channel's sales chief, Mr Maurice Urlich, who said the new network aims to draw 40 per cent of its advertising revenue from smaller companies served by each of its four regional stations.

TVNZ relies *on national* advertising and is not geared to regional broadcasting, other than a half-hour regional news programme. Radio's 13 per cent share of last year's $771m business spending on advertising is largely composed of local and regional spots.

The country's 32 state-owned and 21 private radio stations are already in tough competition for ratings and dollars. The *recent announcement* that the issue of radio warrants is to be deregulated will increase the competition. With both TV3 and newcomers moving in on their revenue patch, radio stations could be the biggest losers in any income squeeze.

Some of the state-owned Radio New Zealand stations could put more pressure on the *Broadcasting* Corporation's revenue by demanding a subsidy, or in a few cases a bigger subsidy, to stay on the air.

Some private stations might simply give up *the struggle* or fall into the hands of newspaper companies taking advantage of licencing deregulation and comparatively relaxed anti-monopoly *laws. Newspa*pers in provincial towns could benefit from owning a local radio station and offering advertisers discounted deals to use both media.

New Zealand's newspapers meanwhile are undergoing a major shake-up which promises to intensify the grip of the Murdoch-controlled *Indepen*dent Newspapers group on the industry.

In a deal worth NZ$72m (US$49.7m), Independent News*papers, which* publishes The Dominion, The Press, The Evening Post and a host of provincial and suburban newspapers, as well as magazines, has bought the ailing Auckland Star from NZ News, controlled by Sir Ron Brierley, the New Zealand entrepreneur.

Independent Newspapers is 40 per cent owned by Mr Rupert Murdoch's News Limited.

To try to boost the fortunes of the Star, Auckland's only afternoon daily paper, the deal has also included shutdown of The Sun, a breezy tabloid, set up *just* before last year's August general election by NZ News.

The Sun had tried to cream off some of the massive advertising revenue enjoyed by Auckland's only other newspaper, the high circulation New *Zealand Herald, owned by the* Wilson and Horton group. But just prior to closure, The Sun was reported to be losing NZ$1m a month.

The *purchase* of the Auckland Star by Independent Newspapers is subject to the approval of the Overseas Investment Commission and the Commerce Commission. Assuming this is forthcoming, it will give INL close to half the circulation in New Zealand. It bought the Christchurch Press last year for NZ$115m.

Previously, the circulation was *a fairly even three* way split between INL, NZ News, and Wilson and Horton.

Kevin O'Connor

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday July 20 1988

INSIDE

CGE 'pact' raises political hackles

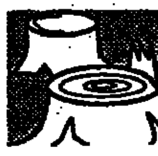
GROUPE CGE

Allegations that CGE, the French telecommunications group, had arranged a secret pact with a group of large friendly shareholders have been dismissed by chairman Pierre Suard as a "storm in a tea cup". But the controversy has assumed a political dimension as the new Socialist government tries to break up hard core shareholdings of companies privatised by the Chirac administration. Paul Betts in Paris looks at the latest developments. Page 23

Swedish banking system faces fresh upheaval

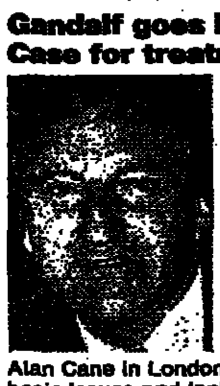
Cries of anguish and joy have greeted a new report on the venerable Swedish banking system, which is deemed ripe for another wave of change. Top of the list will be the right of foreigners to own bank shares but restrictions on the size of an individual shareholding have met a more muted reaction. Sara Webb in Stockholm examines the Credit Market Committee's report. Page 23

Asians rush to save Filipino forests from the chop



Slash and burn farming in the Philippines has ravaged the country's once bountiful virgin forests while illegal logging threatens any attempt at reafforestation. Enter the Asian Devolpment Bank with a $122m loan and suddenly the prospects of halting or even reversing the destruction have improved. Richard Gourlay in Manila examines the progress. Page 32

Gandalf goes in search of a Case for treatment



Mr James Bailey, chief executive of Canadian computer group Gandalf Technologies, is leading his company in a bid for Case, a fellow practioner of the black art of data communications in the UK. The deal is shrouded in such complex technical language that shareholders are finding it hard to evaluate the £70m offer. Alan Cane in London helps to unravel the basic issues and looks at the background to the bid. Page 39

UK builds buyout bridgehead

Management buyouts are spreading across Europe and Britain is acting as a bridgehead for the invasion of this all-American concept. Martin Dickson in London profiles Schroder Ventures, a leading British name in continental buyouts. Page 26

US drug companies improve

As the US results season gathers pace, American drug companies have been reporting generally strong figures. New Jersey-based Merck, one of the world's fastest-growing drugs companies, yesterday reported a 34.5 per cent rise in second quarter net income, while profits were also well up at Eli Lilly, Bristol-Myers and Upjohn. Page 22

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Henkel	472	+	7
Commerzbk	229.5	+	2.4
Mannesmann	155.8	+	.1
Falls			
Karstadt	452	-	17
Kaufhof	456	-	11
Conti Gummi	235	-	6.3

PARIS (FFr)

Rises			
Essilor ADP	1630	+	32
[illegible]	512	+	8
Total	342	+	5
Falls			
Alsthom	303.5	-	16.5
Pechelbronn	1051	-	57
Gle Bancaire	468	-	24

NEW YORK ($) at 12.30

Rises			
[illegible]	37¾	+	3⅛
[illegible]	3⅞	+	¼
Todd Shipyds	2¾	+	¼
Falls			
Wheeling Pitts	21¾	-	2⅞
Newhall Inv	2¾	-	⅜
[illegible]	6⅞	-	⅞

TOKYO (Yen)

Rises			
Toyo Engin	950	+	100
Falls			
Nippon Steel	780	-	54
Kobe Steel	571	-	44
Kawasaki Hvy	700	-	50
Daiei	1980	-	140
Kawasaki Stl	710	-	30

LONDON (Pence)

Rises		
AIM Group	262	+ 7
Beatson, Clark	350	+ 62
Bejam	181	+ 5
Body Shop	695	+ 12
Bradstock	230	+ 16
CASE	98	+ 11
CCF	172	+ 7
Creighton Labs.	390	+ 27
Dalgety	351	+ 5
De la Rue	460	+ 9
Delyn Packaging	105	+ 7
Craig Shipping	790	+ 15
Laing Props.	535	+ 10
Peachey Prop.	638	+ 8
RHM	488	+ 10
Taylor Woodrow	438	+ 15
WCRS	245	+ 11
Falls		
Brit. & Comm.	241	− 22
Brit. Aerospace	489	− 8
Cable & Wireless	369	− 11
Davies & Newman	725	− 30
Reckitt & Colman	921	− 8
Reuters B	529	− 12
Singer & Friedlander	82	− 4

Citicorp well ahead in the second quarter

By Anatole Kaletsky in New York

CITICORP, America's biggest commercial banking group, has reported a strong advance in profits compared with its adjusted results from a year earlier. Like other big US banks, however, Citicorp has been making only modest additional headway since the beginning of this year.

Its net earnings in the second quarter were $359m or $1.03 a share. This was 26 per cent higher than the $285m which Citicorp said it would have earned a year ago, in the absence of the $3bn loan loss provision it took against its Third World lending in that period. In the first quarter of 1988, it earned $358m or $1.01 a share.

Citicorp noted that it has been continuing to reduce its portfolio of loans to Third World countries which have undergone debt restructuring.

These loans stood at $12.6bn at the end of the second quarter, compared with $14.6bn a year earlier and $13bn at the end of the first quarter this year.

Comparing the latest results with a year earlier, the main improvements were in foreign exchange trading, other trading income, net interest revenues and fees and commissions, while investment security transactions and other income declined.

Net interest revenues increased by to $1.7bn and fees and commissions rose to $954m. Both figures were 12 per cent up on a year earlier.

The trading account produced earnings of $91m, compared with $18m a year ago and foreign exchange profits were 20 per cent up at $155m.

Citicorp's non-interest expenses increased by 11 per cent from a year earlier, as the bank continued to expand in the US and abroad. But the growth of expenses was somewhat slower than the 13 per cent recorded in the first quarter.

Total assets increased by 6 per cent to $205.2bn and common equity stood at 3.6 per cent of this figure at the end of the latest quarter.

Mitsubishi Motors plans flotation

By Stefan Wagstyl in Tokyo

MITSUBISHI MOTORS, the third largest Japanese car maker, is to be floated on the Japanese stock market, probably later this year, in the largest listing of a manufacturing company since the Second World War.

The group, which could command a market capitalisation of Y700bn ($5.2bn), is being floated by Mitsubishi Heavy Industries (MHI), its largest shareholder with a 36.6 per cent stake, and partners including Chrysler of the US which has 24 per cent.

The motor company was founded in 1971 as a joint venture between MHI and Chrysler. Since 1985, when the joint venture expired, Mitsubishi has been selling shares – mainly to fellow Mitsubishi group companies – to reduce its stake in order to prepare for an eventual flotation.

The company declined to discuss the reasons for the issue. But analysts in Tokyo believe the main motive is a need to raise capital to reduce the company's heavy debts.

Unlike other Japanese car producers, which have funded themselves by raising equity, Mitsubishi Motors has had to rely on borrowings which have pushed its equity to asset ratio down to 18 per cent, compared to 40 per cent for Honda, another leading Japanese car maker.

Interest payments have eaten heavily into profits, turning a Y40bn operating profit in the year to March 1988 into a Y20bn pre-tax return.

Nikko Securities is to be the lead underwriter for the issue, which is planned to take place before the end of the current fiscal year next March.

Analysts said the company could seek to price its shares at Y1,000 each or more – giving the group a market value of Y700bn. But the capitalisation would be higher if, as expected, new funds were raised in the issue.

Rivals consider offer for Argentine airline

By Gary Mead in Buenos Aires

A CONSORTIUM of airlines, bringing together Alitalia of Italy, Swissair, and Austral, a private commercial Argentine airline, has indicated an interest in buying a majority stake in Aerolineas Argentinas, Argentina's state-controlled airline, which is already negotiating a tie-up with SAS, the Scandinavian airline.

The company leading the bid for a 55 per cent stake is Cielos del Sur, an Argentine firm which bought Austral from the Argentine state in December 1987.

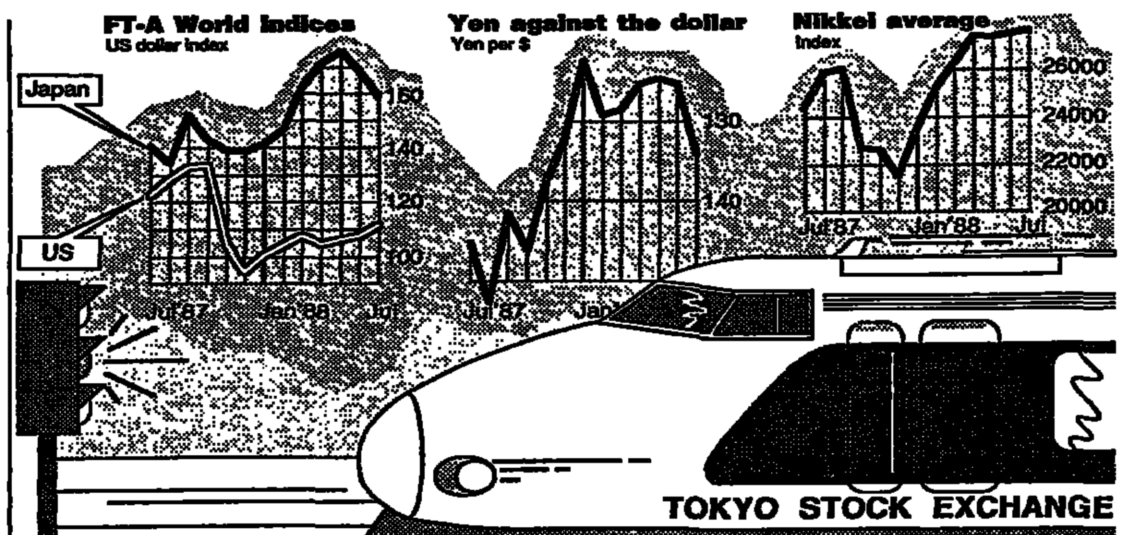
However, Argentine government officials said the proposal from Cielos de Sur will only be considered if the SAS negotiations did not result in a sale. Confirming the move, Swissair said the outcome depended on the approval of the Argentine Government.

The assets of Aerolineas were put at US$800m earlier this year, when the SAS discussions started. On that basis, the latest approach could involve in excess of US$440m.

SAS has been involved in protracted negotiations to purchase Aerolineas since February this year. The SAS plan involves the purchase of 40 per cent of the airline, with 51 per cent being retained by the Argentine Government, and the other 9 per cent being offered to the 10,300 employees of Aerolineas.

Mr Rodolfo Terragno, the Minister of Public Works and Transport, said last week that the SAS negotiations were due to be satisfactorily concluded by the end of this month. It is understood that part of that deal would involve SAS taking on board a substantial part of Aerolineas's debts, which total an estimated US$1.07bn.

In 1987 Aerolineas made an operating profit of US$30m, but the airline is dogged by industrial disputes, over both salaries and the privatisation issue. The proposed deal with SAS was described by the Government when negotiations began as the biggest privatisation move in Argentina for decades and necessary to expand the company in a very competitive world market.



Why Tokyo has suddenly succumbed to the jitters

Stefan Wagstyl looks at the background to the biggest one-day fall this year on the Japanese stock market

THE JAPANESE stock market has finally given way to the fear of inflation which has been haunting it since the spring.

The immediate trigger was the rise in oil prices which has followed Iran's acceptance of a United Nations call for a ceasefire in the Gulf War. But investors were already becoming very nervous about the possible impact on Japanese financial markets of the rise in the dollar and of persistent increases in world interest rates.

Moreover, confidence seems to have been undermined by a general air of uncertainty in Tokyo. A widening share scandal involving politicians and leading businessmen who bought stock on privileged terms in a company called Recruit Cosmos; concern about the enforcement of strict new laws on insider trading; worries about the prospects for Prime Minister Noboru Takeshita's controversial plans for tax reform – all have been preying on investors' minds.

As a result when the Nikkei index of leading stock dropped 513.09 points yesterday to close at 27,149.03 it was something of a relief that it did not fall further, even though the decline followed a 251.67 point fall on Monday. Nevertheless, it was the largest one-day fall this year.

The day's trading left some stockbrokers convinced that the long bull market in Japanese equities is over. Mr Peter Tasker, research manager at the Tokyo affiliate of Kleinwort Benson, the UK merchant bank, argues that the writing has been on the wall from March. Since then US equity markets have outperformed Japanese equities by about 15 per cent, partly due to the rise in the dollar, and partly to a recovery in sentiment on Wall Street.

But other securities brokers say there is nothing much to worry about.

Bulls and bears agree that there is little amiss with the Japanese economy. As the world's biggest importer of dollar-priced commodities, Japan is sensitive to the inflationary impact of a rise in the dollar: in theory, a 10 per cent increase in the US currency translates into a jump of about 1 per cent in the Japanese consumer price index through increases in the cost of energy and food imports.

But in practice, government action – notably cutting tariffs in the highly-protected food market – could greatly soften the impact.

Moreover, the economy is growing at such a fast pace – at about 5 per cent a year – that Japanese economists feel it could easily absorb a modest amount of inflation.

However, the impact of inflation – and of fears of inflation – on financial markets is a different matter. Japanese interest rates have been rising since the beginning of the year, largely as a result of investors' concern at the rate of growth in the money supply, which hit 12.5 per cent in February, and has remained in double figures.

The worry was that the Bank of Japan would be forced to nudge up interest rates. While the dollar was weak, it was held back from doing so by the fear that any increase in yen interest rates would trigger another decline in the dollar and possibly lead US and other central bankers to raise their rates also – in a vicious circle.

However, the rise in the dollar, following the summit of Western leaders in Toronto last month, freed the Bank of Japan of this worry. After successive increases in rates in the US and elsewhere, the Japanese central bank on Monday allowed one-month rates to rise by one basis point to 4 per cent.

The move sparked off speculation that the central bank might increase the official discount rate for the first time since 1980 – from the current 2.5 per cent.

Investors in the stock market had good reason to be sensitive to interest rates. Rising rates will tempt investors to take their money out of the stock market – especially those whose shares have been bought with borrowed funds.

However, even within the gloomy confines of yesterday's trading day there were some bright spots. The most important was a sharp late rise in the yen against the dollar – which was helped by a rare intervention in the market by the Bank of Japan to sell dollars.

This immediately prompted speculation that the central bank may relent in its policy of nudging up interest rates for fear of upsetting the stock market.

The result is that sentiment in Tokyo is finely balanced, with financial institutions waiting on the sidelines to see whether the advance of the yen against the dollar is at last over.

Some investing institutions have been selling in Tokyo and buying in New York – but cautiously. Others take the view that the advance of the dollar is speculative.

They point out that turnover in the Tokyo yen-dollar market since the summit has been huge – nearly four times bigger than in the weeks before the Toronto summit.

This means it took a lot of money to move the dollar up – it may take very little to send it back. Fuji Bank thinks so – it forecasts the dollar to fall to Y120 by the end of the year.

British & Commonwealth bids £407m for Atlantic Computers

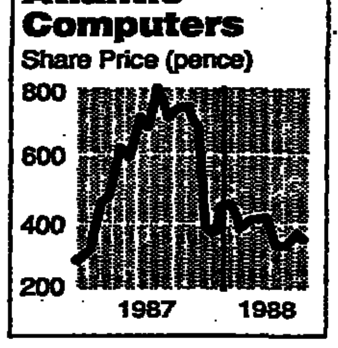
By Philip Coggan in London

BRITISH & Commonwealth Holdings, the UK financial services group being reshaped by Mr John Gunn, yesterday unveiled a £407m ($671m) agreed bid for Atlantic Computers, the British computer leasing company.

Trading in shares in Atlantic, the world's third-largest computer leasing company, had been suspended on the London Stock Exchange on Monday, pending a bid announcement, but few had expected B&C to be the eventual suitor. Reaction to the deal was not helped by a statement from B&C on its current trading which showed that its profits were running "broadly in line" with those for the previous year. On the stock market, B&C shares fell almost 10 per cent, by 22p to 241p.

The acquisition of Atlantic means the end of the quoted UK computer leasing sector, which comprised five companies just two years ago. Investor confidence in the sector was sapped by a series of poor results and by disquiet over the sector's accounting practices, particularly the treatment of the "residual values" of computers after their leases expired.

Atlantic Computers
Share Price (pence)



Atlantic's pre-tax profits have grown from £3.7m in 1983, the year of its flotation, to £38.2m last year and analysts forecast £45m for the current year. Up to now it had managed to stay clear of the rash of takeovers in its sector and had even absorbed Comcap, one of its rivals.

Atlantic's shares, however, have underperformed the market since September last year, when its founder, Mr John Foulston, was killed in a motor racing accident. Last year's profits were seen as slightly disappointing by the market and one reason cited by Atlantic for accepting B&C's offer was the ability to concentrate on long-term objectives without short-term City of London pressure.

B&C has undergone substantial restructuring by Mr Gunn, who recently sold off the original transport and commercial services business to its management, under the name Bricom. The company is now substantially a financial services group and Mr Peter Goldie, chief executive, said the Atlantic acquisition would give the group a new profits centre to counterbalance the current preponderance of money broking profits.

The B&C offer values each Atlantic share at 509p and consists of two ordinary stock units, £12.37 in cash and £9 nominal of loan stock for every five Atlantic shares. Irrevocable acceptances have been received from holders of 35 per cent of the shares and B&C bought a further 10 per cent in the market yesterday.

Atlantic finished the day 132p up at 495p.

Go-ahead for French futures

By George Graham in Paris

FIVE OF France's leading financial institutions are to press ahead with their plans to create an independent market in stock index futures and options, despite a cool response from the Paris stock exchange authorities.

Trading will open tomorrow in a stock index future, with participation initially limited to banks.

The futures market project, OMF, was set up earlier this year by the Swedish OM group, which has already run a similar market in Stockholm since 1985, together with Crédit Commercial de France, the bank, and Finacor, which is the leading French money broker.

The group was joined in May by three other major banks, Banque Nationale de Paris, the country's second largest, and the recently privatised Paribas and Société Générale groups.

The start-up of the OMF has been delayed by the French elections and the change of government, but the group has decided it can legally press ahead as an interbank market, with clearing initially being assured by Société Générale until the OMF itself has received the necessary bank status.

The project has been fiercely opposed by the stock exchange, which after a long dispute on the subject with the Matif financial futures market is planning to launch its stock index future contract this autumn.

The stock exchange has refused to give its blessing to the rival OMF initiative, but OMF now plans to apply for approval from the futures market regulatory authorities.

Success in receiving this approval would mark a step for the French financial markets in the direction of the British model, where market organisations are clearly separated from market regulatory authorities, and several markets may coexist under a single regulator.

Credit card resignation may spark shake-up

By David Barchard

A SHAKE-UP in the MasterCard/Eurocard payments system could be on the way following the retirement last week of Mr Russell Hogg, the president and chief executive officer of MasterCard International in New York.

Mr Hogg's retirement, at the age of 60, was said by the company to have been prompted by his desire to pursue other entrepreneurial interests. He is expected to remain in his post until a successor is appointed in a few months time.

Mr Hogg had been at the head of MasterCard for nearly eight years, during which time the organisation has been aggressively trying to regain market share in the US and international markets from its rival, Visa International.

Both organisations are owned by associations of banks. MasterCard had about 75m cardholders in the US compared with 100m for Visa at the end of 1986. Worldwide, Visa had about 152m holders of its own and affiliated cards, compared with 135m for MasterCard, and is generally regarded as dominating the credit card market.

In the UK for instance, building societies and similar institutions entering the credit card market have all opted for Visa branded cards rather than those of Access, MasterCard's British affiliate. This spring Lloyds Bank, a founder member of Access, announced it had joined the Visa network as well.

In April this year, Mr Hogg negotiated the purchase by MasterCard of a 15 per cent stake in Eurocard International and the European Payment Services System, for an undisclosed amount.

By doing so Mastercard delegated its marketing and licensing operations in Europe to Eurocard in perpetuity, at a time when Visa is doing well in European markets.

The purchase was justified as giving MasterCard a permanent niche in European markets when European and West German banks are making moves to protect emerging electronic payments systems in Europe against outside competition.

However, there was surprise that MasterCard, a global payment system with a strong infrastructure and high market profile, was willing to hand over the chance of a direct access to European markets to Eurocard.

The latter is a relatively small body enjoying the backing of the large German banks but without the strong direct market presence and branded products of MasterCard and Visa.

A statement by Mr Tony Lee, chief executive of the Joint Credit Card Company, which issues Access cards as part of the Mastercard system in the UK, said Mr Hogg would be missed. Mr Lee would not comment on reports that Mr Hogg's resignation was linked to dissatisfaction over the Eurocard purchase.

Higher capacity helps turnround at Falconbridge

By Robert Gibbens in Montreal

BOOMING NICKEL prices and capacity operation brought a dramatic turnround on a year-to-year basis for Falconbridge, the large nickel producer, in the second quarter and first half.

Falconbridge was able to reduce long-term debt by C$239m (US$199m) to C$505m in the six months. Including its short-term cash resources of C$287m, the debt equity ratio at June 30 was 11:89.

Long-term debt at the end of 1987 had reached C$744m, and even after an equity issue early this year analysts worried about the company's capacity to handle the C$960m required for the acquisition of Placer Dome's 25 per cent interest in the company and a special C$4.75 a share dividend. The Placer Dome deal has yet to be finalised.

Second-quarter earnings were C$95m or $1.19 a share against a loss of C$17m a year earlier on revenues of C$514m against C$319m.

Texaco reveals vote margin

By Our New York Staff

TEXACO, THE third-largest US oil company, defeated Mr Carl Icahn's bid for control by the surprisingly comfortable majority of 58.6 per cent.

According to preliminary figures, Mr Icahn's slate of directors secured only 41.4 per cent of the votes in the largest proxy battle ever, waged last month. Mr Icahn, a well-known New York take-over specialist, has already conceded defeat.

Strong advance in profits at US drug companies

By James Buchan in New York

MERCK, THE highly-regarded New Jersey pharmaceuticals group which is one of the world's fastest-growing drug companies, yesterday reported a 34.5 per cent increase in net income in the second quarter as its string of new prescription drugs continue to capture market share.

Merck's advance, which came on the strength of a 20 per cent gain in sales, led a generally strong set of results from US drug companies.

Profits were up 19 per cent at Eli Lilly, 18 per cent at Bristol-Myers and 12 per cent at Upjohn. In contrast to Merck, a pure drugs operation, these companies have slower growing consumer products or chemicals businesses.

Merck said its earnings in the June quarter were $316.9m or 80 cents a share, against $235.1m or 58 cents in the 1987 second quarter. Earnings growth showed no let-up on the momentum of the first quarter of this year but the sales increase, at 20 per cent to $1.5bn, was modestly slower than for the first quarter.

The latest second-quarter earnings included a $59m gain on the sale of a Japanese company, offset by a $32m provision for employees' health-care benefits. In the six months to June, Merck enjoyed earnings of $587.7m or $1.49 a share, a 38 per cent increase over the first half of 1987, on a 24.6 per cent increase in sales to $2.94bn.

Second-quarter earnings at Eli Lilly were $180.7m or $1.27 a share on a 9.6 per cent rise in sales to $1.01bn. The earnings figure excludes a $1.6m loss from discontinued operations.

At Bristol-Myers, earnings were $190.5m or 66 cents a share on an 11 per cent to $1.46bn in sales. Overseas revenues were particularly strong, increasing 21 per cent.

Upjohn's earnings were $88m or 47 cents a share on an 8 per cent rise in sales to $665m. Of the sales increase, 5 per cent was attributable to higher volume and 3 per cent to the translation of overseas sales – up 18 per cent – at lower dollar exchange rate.

Northgate Exploration raises California profile

By Kenneth Gooding, Mining Correspondent

NORTHGATE Exploration, the Toronto group, yesterday signalled its intention to rebuild itself into a leading North American gold company with two transactions which give it a significant interest in properties on the historic Mother Lode gold belt in California.

It has paid US$22.8m for ABM Mining, which owns 45 per cent of the equity and 88 per cent of the votes of ABM Gold, a Vancouver concern which manages four publicly traded Canadian companies: Sonora Gold (32.6 per cent owned), Goldenbell Resources (58.4 per cent owned), United Gold (59.9 per cent owned) and Inca Resources (20.5 per cent owned).

Sonora operates and has a 70 per cent joint venture interest in the Jamestown Mine on the Mother Lode. ABM has a further stake in the mine via ownership of a 15 per cent net profit interest.

In a separate deal, Sonora is to issue to Northgate up to 4m treasury shares (about 20 per cent) of Sonora for C$12.4m (US$10.3m)

Jamestown began commercial production late last year but has experienced start-up problems which resulted in lower gold production and higher costs than anticipated.

Analysts had expected Jamestown this year to produce about 125,000 troy ounces of gold at a cash cost of US$250 an ounce. Northgate said that in the first quarter of 1988 Jamestown produced 20,600 ounces at US$344 an ounce. Output in 1988 is predicted to be about 90,000 ounces.

Northgate still has about C$200m cash from the recent sale of its Chibougamau mining properties in Quebec. It may increase its stakes in ABM and Sonora at some time in the future, said Mr John Kearney, president.

Philip Morris jumps 32%

By New York Staff

PHILIP MORRIS, the world's largest tobacco company and a big food processor and brewer, said yesterday its strong earnings momentum continued into the second quarter with a 32 per cent increase in net income over the 1987 period.

The New York-based company, which is adding market share in tobacco and enjoying higher overseas profits because of the dollar's weakness, said that earnings in the second quarter were $627m or $2.68 a share, against $476m or $2.00 a share. The growth follows a 30 per cent annual increase in net earnings in the first quarter to $502m.

Sales revenues increased 9.9 per cent $7.82bn.

Monsanto sets record for second-quarter income

MONSANTO, the diversified US pharmaceuticals group, yesterday reported second-quarter and first-half results that were the most profitable in the company's 87 year history, writes Our New York Staff.

Second-quarter net income was a record $220m, or $3.04 per share, on sales of $2.26bn. This represents a 43 per cent increase in net income and a 56 per cent increase in earnings per share over the second quarter of last year, when net income was $154m, or $1.95 per share, on sales of $2.03bn.

"Monsanto's outstanding financial performance so far this year puts us well on the way to a record 1988," said Mr Richard Mahoney, chairman and chief executive officer.

"Our income for the first six months of this year almost equals income for all of 1987, and our $5.90 earnings per share has already surpassed last year's total.

"For the first six months of 1988, net income reached a record $430m, or $5.90 per share, on sales of $4.39bn. This amounts to a 47 per cent increase in net income and a 59 per cent increase in earnings per share over the first half of 1987 when net income was $292m, or $3.71 per share, on sales of $3.89bn."

Earnings per share this year are benefiting from Monsanto's repurchase of its own shares of common stock. During the past year, it has repurchased approximately 7m shares.

NCR registers steady growth

By Our New York Staff

NCR, the big computer and business information company based in Dayton, Ohio, enjoyed strong second-quarter earnings and revenue growth, but expressed concern about signs of a recent decline in both foreign and domestic orders.

Net earnings rose 14 per cent to $112.4m from $98.6m in the second quarter last year. Per share earnings grew by 30 per cent to $1.36 from $1.05 because of a stock repurchase programme which reduced outstanding equity to 92.8m from 94.3m shares.

Revenues increased by 10 per cent to a second-quarter record of $1.50bn with the strongest gains coming from Asia and Europe. While sales revenues abroad showed "good growth" in local currency terms, they were further boosted by the translation effects of the declining dollar. But the growth of revenues and earnings showed some deceleration from first-quarter rates.

GTE forecasts earnings boost

GTE, one of the biggest US telecommunications groups, expects the sale of most of its stake in US Sprint Communications to result in improved earnings, Reuter reports.

The company announced this week that it would sell a 30 per cent stake in the loss-making US Sprint to United Telecommunications, which already owns 50 per cent of the carrier, for an estimated $600m.

Mr James Johnson, GTE chairman, said the sale would improve GTE's earnings because it would no longer have to include US Sprint's losses in its financial results. He declined to make a specific forecast. GTE said in February that its 1987 earnings had been hit by the high losses incurred by US Sprint.

As for how the proceeds of the sale would be spent, he added that there were several alternatives and "we will be exploring them all."

Mr Johnson added that GTE would also probably sell its remaining 20 per cent.

Asked why GTE sold out to United Telecom after pouring billions of dollars into US Sprint, Mr Johnson said: "United has a lot higher stake in Sprint. It just made sense for them to manage it."

NORTH AMERICAN QUARTERLY RESULTS

AMDAHL
Plug-compatible computers

	1988 $	1987 $
Second quarter		
Revenues	423.8m	341m
Net income	53.8m	31m
Net per share	1.00	0.60
Six months		
Revenues	791.4m	659.5m
Net income	97m	56.2m
Net per share	1.81	1.11

AMERICAN HOME PRODUCTS
Drugs, toiletries

	1988 $	1987 $
Second quarter		
Revenues	1.37bn	1.23bn
Net income	215.8m	195.9m
Net per share	1.48	1.33
Six months		
Revenues	2.78bn	2.52bn
Net income	452.9m	412.3m
Net per share	3.10	2.78

ARCHER-DANIELS-MIDLAND
Milling

	1987/8 $	1986/7 $
Year		
Net income	353m*	265.3m
Net per share	2.05*	1.54

*Includes effect of commodity price increase on LIFO inventory which lowered net earnings by $96m or 56 cents a share

BELLSOUTH
Telecommunications

	1988 $	1987 $
Second quarter		
Revenues	3.21bn	3.02bn
Net income	395.7m	382.3m
Net per share	0.83	0.80
Six months		
Revenues	6.33bn	5.97bn
Net income	826.6m	834.7m
Net per share	1.72	1.74

BOISE CASCADE
Forest products

	1988 $	1987 $
Second quarter		
Revenues	1.01bn	939.6m
Net income	72.2m	35.2m
Net per share	1.59	0.69
Six months		
Revenues	2.03bn	1.86bn
Net income	140.8m	75.4m
Net per share	3.06	1.48

BURLINGTON NORTHERN
Railroads

	1988 $	1987 $
Second quarter		
Revenues	1.68bn	1.57bn
Net income	#41m	82.1m
Net per share	n/a	1.09
Six months		
Revenues	3.55bn	3.22bn
Net income	56.5m	159.8m
Net per share	0.74	2.13

BURLINGTON RESOURCES*
Resources

	1988 $	1987 $
Second quarter		
Revenues	506.5m	542.7m
Net income	#98.9m	51.9m
Net per share	n/a	0.34
Six months		
Revenues	1.19bn	1.1bn
Net income	#41.4m	110.9m
Net per share	n/a	0.73

* Company owned 87 per cent by Burlington Northern. # Loss after $143m charge

CHAMPION INTERNATIONAL
Wood products, paper

	1988 $	1987 $
Second quarter		
Revenues	1.26bn	1.16bn
Net income	112.2m	155.7m
Net per share	1.18	1.64
Six months		
Revenues	2.52bn	2.25bn
Net income	214.2m	211.1m
Net per share	2.25	2.23

CINCINNATI MILACRON
Machine tools

	1988 $	1987 $
Second quarter		
Revenues	198.4m	192.4m
Net income	8.27m	4.59m
Net per share	0.34	0.19
Six months		
Revenues	385.8m	381.8m
Net income	14.7m	9.2m
Net per share	0.60	0.38

COOPER TIRE & RUBBER
Tyres, related products

	1988 $	1987 $
Second quarter		
Revenues	183.8m	164.3m
Net income	9.8m	7.34m
Net per share	0.96	0.72
Six months		
Revenues	344.8m	312.5m
Net income	16.6m	13.7m
Net per share	1.63	1.35

DOW CORNING
Industrial products

	1988 $	1987 $
Second quarter		
Revenues	380.7m	336.6m
Net income	39.8m	36.6m
Six months		
Revenues	742.1m	641.7m
Net income	77.4m	66.7m

GENERAL SIGNAL
Instrumentation, controls

	1988 $	1987 $
Second quarter		
Revenues	435.5m	396.7m
Net income	#10.8m	15.2m
Net per share	#0.39	0.54
Six months		
Revenues	852.4m	781.9m
Net income	8.9m	29.3m
Net per share	0.32	1.03

Loss

B.F. GOODRICH
Plastic products

	1988 $	1987 $
Second quarter		
Revenues	621.7m	527.5m
Net income	60.4m	38.3m
Net per share	2.30	1.54
Six months		
Revenues	1.19bn	991.6m
Net income	97.7m	42.1m
Net per share	3.70	1.61

W.R. GRACE
Chemicals, restaurants

	1988 $	1987 $
Second quarter		
Revenues	1.45bn	1.15bn
Net income	64.4m	33.8m
Net per share	0.76	0.40
Six months		
Revenues	2.74bn	2.11bn
Net income	102.7m	81.5m
Net per share	1.21	0.96

HASBRO
Toys, games

	1988 $	1987 $
Second quarter		
Revenues	308.2m	290.9m
Net income	16.5m	14m
Net per share	0.28	0.24
Six months		
Revenues	594.5m	570.2m
Net income	33.2m	30.3m
Net per share	0.57	0.52

LOTUS DEVELOPMENT
Software

	1988 $	1987 $
Second quarter		
Revenues	122.1m	93.9m
Net income	17.3m	16.3m
Net per share	0.38	0.36
Six months		
Revenues	239.4m	178.8m
Net income	35.7m	29.9m
Net per share	0.77	0.66

MCI COMMUNICATIONS
Telecommunications

	1988 $	1987 $
Second quarter		
Revenues	1.22bn	953m
Net income	73m	8m
Net per share	0.25	0.03
Six months		
Revenues	2.35bn	1.91bn
Net income	142m	35m
Net per share	0.49	0.12

NCNB
Bank holding company

	1988 $	1987 $
Second quarter		
Net income	59.3m	34.5m
Net per share	0.70	0.48
Six months		
Net income	129.3m	108.4m
Net per share	1.53	1.36

INTERNATIONAL COMPANIES AND FINANCE

CGE chief moves over 'secret pact' allegations

By Paul Betts in Paris

MR PIERRE SUARD, chairman of Compagnie Générale d'Electricité (CGE), yesterday sought to pour cold water on allegations that the French privatised telecommunications and engineering group had arranged a "secret pact" with a group of large friendly shareholders.

The CGE chairman confirmed that six large shareholders had signed an agreement to consolidate and reinforce the telecommunications and engineering conglomerate's shareholding structure after its privatisation.

There was nothing illegal about the pact, he said, which gives the six shareholders preemptive purchase rights on each other's CGE shares.

He said many other French companies had similar arrangements with their friendly shareholders and that there were at least 100 similar agreements between major shareholders in France.

Mr Suard disclosed that the six CGE shareholders which had signed the pact – including Société Générale, the French privatised commercial bank, Dumez, the French construction group, Société Générale de Belgique, UAP, the largest French state insurance group, Compagnie Générale des Eaux, the French private water group, and Swiss Bank Corporation – had paid an average price of FFr310 ($50) a share for their CGE stakes.

Between them the six shareholders acquired about 15 per cent of CGE's equity after the French Government floated the company at FFr290 a share last year.

Although Mr Suard dismissed the controversy over the CGE shareholders pact as "a storm in a teacup," the affair has assumed political dimensions.

The leak of the special CGE shareholders pact appears designed to destabilise the management at a time when the new Socialist Government is attempting to break up the hard core shareholdings of companies privatised by the previous rightwing administration of Mr Jacques Chirac.

CGE's decision to respond swiftly to the disclosures of its shareholders agreement was also widely seen yesterday as an effort by the privatised group to pre-empt possible political manoeuvres to change its current shareholding structure and oust Mr Suard, who is regarded as close to Mr Chirac's RPR Gaullist party.

Mr Suard yesterday said he hoped there would be no political moves to interfere or hamper the group's industrial operations.

AECI reports rise in first half

By Anthony Robinson in Johannesburg

AECI, South Africa's biggest chemicals and explosives company in which ICI has a 38 per cent stake, yesterday reported a rise in first-half pre-tax earnings to R143m ($59.5m) from R121m on turnover 22 per cent higher at R1.81bn.

Mr Michael Sander, managing director, said a decision was expected within the next month on "critical negotiations" over the projected R600m Botswana soda ash project in which AECI is considering investing around R100m.

First-half results were adversely affected by lengthy shutdowns of major plants producing ammonia and chlor-alkali.

The Coalplex chlor-alkali complex at Sasolburg, initially closed for routine maintenance, lost output for a further six weeks after an explosion.

Meanwhile, the company is looking for better results in the second half as demand in most major sectors, including mining, construction and paints, remains strong.

The end of the drought and higher maize prices should lead to higher fertiliser sales.

France plans to recapitalise Renault

MR ROGER FAUROUX, the new French Industry Minister, said the Government intended to recapitalise Renault, the state-owned car group, writes our Paris staff.

Renault, which has returned to profit after extensive restructuring, has been seeking FFr12bn ($1.9bn) from its state shareholder to restructure its balance sheet burdened by past losses and debts.

However, Mr Fauroux again said he did not consider changing Renault's special legal status as an urgent issue.

The previous government had made changing Renault's status the key to transforming it into a normal state-controlled company. But the new Government regards any change as a symbolic issue.

Sweden 'needs new bank owner laws'

Sweden needs new legislation determining bank ownership which would allow foreigners to invest in Swedish bank shares while guarding against the concentration of powerful interests within the banking sector, according to a report by the country's Credit Market Committee.

The report, which will be presented to the Banking Minister today, also calls for more liberal conditions for banks which would allow them to engage in leasing and factoring while permitting their subsidiaries to lease real estate and take part in venture capital activities.

Demands for increased capital requirements for banks which take into account the activities of their subsidiaries mean that the commercial banks would have to increase their share capital, the committee said.

It recommends the need for tighter quality control over the numerous finance and credit companies with the introduction of a minimum capital requirement. According to the committee, 70 per cent of the existing finance companies do not presently meet the minimum capital requirement.

Sweden's credit market has undergone dramatic changes in the 1980s, including the lifting of lending ceilings. The development of a well-functioning money market has opened a welcome alternative to bank loans for many corporate players, municipalities and finance companies and has led to tougher competition between lenders.

The committee, which was set up at the end of 1983 to study developments in the credit market, has representatives from the Finance Ministry, central bank, finance companies, banks and insurance companies.

It recommends allowing foreigners to invest in Swedish bank shares, which is currently forbidden, in view of the internationalisation of the banking system. If the proposal is passed, foreign investors would collectively be allowed to control up to 20 per cent of the share capital and 10 per cent of the voting power.

The proposal has been welcomed in Swedish banking circles as it would allow Swedish and foreign banks to forge closer links with degrees of cross-ownership. There have already been moves towards close co-operation between the Gota Group of Sweden and Kansallis-Osake-Pankki of Finland which the banks see as essential in view of developments in the European Community in the run-up to 1992.

Less popular, however, is the committee's proposal to introduce strict upper limits on ownership. For major banks with a share capital exceeding

Sara Webb on the Credit Market Committee's report

SKr1bn ($155.5m), no single shareholder could own more than 10 per cent of the share capital and 5 per cent of the votes. For smaller banks, shareholders would be allowed to own 20 per cent of the share capital and 10 per cent of the votes.

The committee believes the limits are necessary in view of the "ever-increasing concentration of ownership in Swedish industry."

The proposal has naturally received the strongest criticism from those it would hurt. The banks which currently do not comply with the ownership limits are Gota Group, Skanska Banken and Oestgoeta Enskilda Banken.

The committee proposes that bank shareholders should be given a five-year period after the law is passed to sell their surplus shares.

INTERNATIONAL COMPANIES

United Technologies profits surge

By Anatole Kaletsky in New York

UNITED TECHNOLOGIES, the Connecticut-based defence and engineering conglomerate, reported another strong advance in earnings despite sluggish sales growth.

UT, whose businesses include Pratt & Whitney aero engines, Sikorsky helicopters, Norden flight systems, Carrier air conditioning and Otis elevators, as well as a range of automotive and control products, made net profits of $196.2m or $1.50 a share in the second quarter. This was 26 per cent higher than the $156m or $1.19 reported a year ago.

Profits growth was ahead of the 24 per cent shown in the first quarter this year and exceeded most analysts' expectations. But UT's latest figures included a one-time benefit from the sale of its share of Telefunken Electronic in West Germany, which resulted in a pre-tax gain of $41.4m.

Revenues advanced by only 4.6 per cent to $4.5bn, marginally slower than the rate of first-quarter growth. First-half revenues grew by 6 per cent to $8.8bn.

UT said its order backlog increased to $17.2bn in the second quarter, 19 per cent higher than the $14.4bn a year earlier.

● TRW, another big US defence and engineering group, reported net income of $71m or $1.17 a share, 18 per cent up on the previous year's $63m or $1.09. Sales increased by 7 per cent to $1.82bn.

TRW's best performance was in the automotive components segment, where pre-tax operating profit rose by 26 per cent to $52m and sales increased by 15 per cent to $797m.

Space and defence earnings were flat at $58m despite an 11 per cent increase in sales to $817m. Profits from information systems were 12 per cent down at $14m, although sales rose 2 per cent to $137m.

"Overall, we expect 1988 to be a good year for TRW."

MIM rights to raise A$403m

MIM HOLDINGS, the Australian mining group, is to make a one-for-four rights issue at A$1.50 per share to raise A$403.5m (US$319.7m), Reuter reports from Brisbane.

The issue price compares with the closing market price of A$2.06, down 15 cents. Proceeds would be used for general corporate purposes which may include repayment or retirement of borrowings.

Current capital requirements included the development of the Hilton silver-lead-zinc mine near Mount Isa in Queensland, of two copper orebodies at Mount Isa and of gold mining projects.

Asarco of the US planned to take up its full 19 per cent entitlement, MIM said.

JCI gold mines lift earnings

By Jim Jones in Johannesburg

HIGHER GOLD prices, and lower unit working costs combined to increase profits at Randfontein and Western Areas, the two producing gold mines managed by South Africa's JCI mining house.

Both mines are starting to benefit from mechanisation programmes and cuts in the workforce. Randfontein is phasing out the milling of low-grade ore drawn from surface dumps. By the end of this year the mine's new Doornkop section is expected to be providing enough ore to satisfy milling requirements.

But while gold production is rising, uranium output is faltering. The mine is having difficulty maintaining recovery grades and has initiated talks with its principal customer, the French nuclear agency, to seek alternative delivery arrangements. The French provided Randfontein with low-interest loans to build its uranium recovery plant and loan repayments are tied to deliveries of uranium.

In addition, Randfontein is hiving off its original, defunct section into a new company. Management believes parts of the section, which was exploited before 1890, can be reopened on a small scale so long as the mine does not have to bear the same head office overheads as larger mines. Details of the arrangements are due to be completed in September and will involve a distribution of shares in the new venture to Randfontein's present shareholders.

Western Areas has emerged from several quarters of gold operating losses, largely because of greater attention to working costs. Mr Ken Maxwell, the mine's chairman, says costs will almost certainly rise in the September quarter because of wage increases awarded to black miners this month. He believes, however, that the rate of cost increase will be restrained through improved operating efficiencies in the mechanised sections.

H.J. Joel, the new mine being developed in the Orange Free State, milled a small amount of ore in the quarter to test its processing plant.

JCI GOLD QUARTERLIES

	Gold produced (kg) Jun 88	Mar 88	After-tax profit (Rm) Jun 88	Mar 88	Earnings per share (cents) Jun 88	Mar 88
Randfontein	7,098	6,956	90.96	89.93	320.3	313.9
W. Areas	3,025	2,990	11.18	(2.85)	0.0	(10.48)

Earnings per share calculated after tax and capital expenditure. Parentheses = negative

Uranium loss restrains Anglovaal unit

By Our Johannesburg Correspondent

HIGHER ORE milling rates overcame lower gold recovery grades at Hartebeestfontein and Loraine, the two largest gold mines operated by the Anglovaal group. However, a loss on uranium sales cut Hartebeestfontein's profit and undid the benefits of the greater gold production and rand gold prices in the June quarter.

Hartebeestfontein has fully commissioned the plant which processes low-grade surface ore dumps, but a lower recovery grade meant the plant's gold production fell despite its higher processing rate.

Loraine overcame some of the skilled labour shortages which affected March quarter production. The mine's milling rate increased.

Eastern Transvaal Consolidated Mines, which operates a number of small mines in the Barberton mountains of the eastern Transvaal, was affected by temporary technical problems at its Agnes mine.

The June quarter's mill throughput of 80,220 tonnes was sharply lower than the 91,000 tonnes of the March period and gold production was correspondingly lower. Nevertheless, a lower tax burden and higher average rand gold price gave rise to a slightly higher after-tax profit.

ANGLOVAAL GOLD QUARTERLIES

	Gold produced (kg) Jun 88	Mar 88	After-tax profit (Rm) Jun 88	Mar 88	Earnings per share (cents) Jun 88	Mar 88
E.Tvl Cons	835	919	11.88	11.38	95.4	89.1
Hartebeest	8,053	8,040	52.98	62.12	36.4	44.7
Loraine	2,177	1,990	14.09	8.50	32.3	16.7

Earnings per share calculated after tax and capital expenditure.

JAPANESE COMPANY RESULTS

HATTORI SEIKO
WATCHES, CLOCKS

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	390.3	389.9
Pre-tax profits (bn)	-7.78	-11.95
Net profits (bn)	-9.15	-11.47
Net per share	-95.35	-119.52

CONSOLIDATED

ISHIKAWAJIMA-HARIMA HEAVY IND
MACHINERY, AEROSPACE, SHIPS

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	854.1	917.2
Pre-tax profits (bn)	7.95	-22.21
Net profits (bn)	0.57	-23.26
Net per share	0.44	-17.92

CONSOLIDATED

ONODA CEMENT
CEMENT, LIMESTONE

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	365.4	332.0
Pre-tax profits (bn)	23.35	15.47
Net profits (bn)	10.14	3.39
Net per share	21.99	7.49

CONSOLIDATED

HONSHU PAPER
PAPER, BOARD

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	410.5	398.7
Pre-tax profits (bn)	6.49	6.25
Net profits (bn)	3.76	2.09
Net per share	12.82	7.63

CONSOLIDATED

MITSUBISHI BANK
COMMERCIAL BANKING

Year to	Mar 88 Y	Mar 87 Y
Revenues (bn)	2,212.2	1,827.1
Pre-tax profits (bn)	270.98	196.35
Net profits (bn)	121.08	95.91
Net per share	51.01	41.28

CONSOLIDATED

TDK
ELECTRONICS, MAGNETIC TAPE

Half-year to	May 88 Y	May 87 Y
Revenues (bn)	202.4	192.1
Pre-tax profits (bn)	25.89	24.18
Net profits (bn)	10.71	10.08
Net per share	85.24	83.76
Dividend	20	20

CONSOLIDATED

INTL CAPITAL MARKETS AND COMPANIES

Trading remains nervous and thin as dollar softens

By Dominique Jackson

EUROBOND TRADING stayed thin and nervous yesterday and most bonds traded within a narrow range, with sentiment depressed by the dollar's softer tone following concerted central bank intervention.

However, several new issues in various currencies were launched, including two new dollar straights for Japanese borrowers.

The renewed strength of the pound following Monday's half-point rise in UK lending rates buoyed sterling bond markets but business was limited ahead of today's June money supply data.

The Bundesbank's move to raise the securities repurchase rate to 4 per cent, as anticipated, had little effect. West German bond prices opened a little better on short covering and the easier dollar and managed to finish with small net gains where changed.

Bank of Tokyo Capital Markets brought the long awaited dollar straight for Osaka Prefecture, which carries the guarantee of Japan, expected to ensure good uptake. The $140m five-year issue at 9⅝ per cent and 101⅛ was pitched to yield 54 basis points over comparable Treasuries at launch. The lead manager said interest from Europe and the Middle East for the paper had been so great that it was unable to meet demand for the deal from Japan. The deal was bid at a discount of 1½ compared to total 1⅞ fees.

Daiwa Europe brought Nissan Motor Acceptance Corporation to the market with a three-year $150m issue at 9¼ and 101.10 to give a 70 basis point spread at launch. Dealers felt the issue could have been more generously priced but pointed out that the name appealed to retail accounts and would be placed eventually. The lead manager said it was trading at a level equal to its 1⅞ fees.

Two houses took advantage of continued retail demand for

INTERNATIONAL BONDS

Canadian dollars. ScotiaMcLeod brought Banque Nationale de Paris to the market with a three-year C$100m deal at 10¼ and 101.15. Demand was seen mainly from the Continent and the issue was trading around its 1⅞ fee level.

Late in the day, Goldman Sachs International led a C$60m five-year issue at 10⅝ per cent and 101⅞ for US snack food, pasta and chemical group Borden. The deal was also bid at a level equal to its 1⅞ fees.

Continental retail demand was also seen behind the day's two Australian dollar deals. Westpac led a A$50m five-year issue at 13¾ per cent and 101⅞ for the Australian National Railways Commission. The deal is guaranteed by the Commonwealth of Australia and was trading within its 2 per cent fees.

Hambros Bank brought Nederlandsche Middenstandsbank to the sector, also with a A$50m deal over three years at 13⅝ per cent and 101¼. It was bid at a discount of 1⅝, on its fees.

Yamaichi International led a *$150m issue with warrants for* Odakyu Electric Railway. The coupon on the five-year deal is indicated at 4¼ per cent. It was bid at 97⅛ against its par issue price.

As expected, the European Investment Bank tapped the Euromark sector with a two tranche deal via Deutsche Bank. The first tranche is a five-year DM500m deal at 5⅛ per cent and 100⅜ and the second is for DM300m over eight years at 6¼ and 99⅞. These terms were considered generous but reasonable given uncertain market conditions. Both tranches were going well and dealers detected some switching out of seasoned supranational eurobonds into the new paper.

Deutsche Bank Luxembourg tapped the Euromarket in Danish krone with a DKr300m eight-year issue priced at 100⅜ and carrying a coupon of 9½ per cent, which is the first coupon below 10 per cent since September 1986, according to lead manager Privatbanken.

In Switzerland, Tokyo Electric Power issued a SFr200m five-year public bond at 4½ per cent and 99¾ and at the same time did a SFr200m five-year private placement at 4⅞ and par via Credit Suisse.

Teletech issue may end era of HK 'stags'

By David Dodwell in Hong Kong

EVIDENCE OF the new era into which Hong Kong's securities industry is being swept – an era that will be critically tested today as stock exchange members vote on a major reform of their management committee – was amply provided this week in the guise of a tiny colour television manufacturer called Teletech, whose public offering of HK$80.7m (US$10.3m) of shares has been oversubscribed 7.7 times.

Cause for celebration, one would have thought – but not so in Hong Kong, where public listings have by tradition been priced and put in a queue by a stock exchange committee that aimed at massive oversubscriptions as a way of trumpeting the virility of the market.

The practice had also given marvellous "stagging" opportunities to speculators who came to expect public offerings to be substantially underpriced. More problematically, it had put huge strains on the banking system, with some of the more glamorous flotations of the past two years attracting applications amounting to more than the territory's money supply.

Local brokers, and at least one English language newspaper, were dismayed at the modest level of oversubscription in the Teletech offer. They recalled a recent 17.6 times oversubscription by Kin Son Electric, and of 309 times by Tomei Industrial.

What they ignored were fundamental changes that have overtaken the Hong Kong stock exchange since the ousting in January of the committee headed by Mr Ronald Li – changes aimed at resurrecting international investor confidence in the local stock market.

The changes have meant that since January, companies have been left to fix their own flotation prices, taking note only of recommendations from merchant banking advisers.

Teletech was acknowledged to be well-managed, with healthy accounts and a steady record of sales and profits growth. It planned to invest the funds raised in expanding its manufacturing operations in Thailand – unlike some recent public listings, where management have opted to use the funds for speculative investment in the stock market.

The company fixed its offer price at 70 cents a share, a price that some brokers felt was not attractive – and for those used to the generous windfall profits that came from "stagging" shares offered well below their real value, this was no doubt true.

Mr Tony Cheung, Teletech chairman, said he was pleased at the absence of "stagging" interest. He was doubtless also pleased that abolition of the practice of underpricing shares allowed him to raise more from his offering of 115m shares than would in the past have been possible.

Mr. Cheung's financial adviser noted: "We are confident that the people who subscribed for the new shares are those who really want to invest in the company." This may be common sense in most *stock markets worldwide*, but it marks a new era in Hong Kong.

Only tonight will it be learned whether the territory's stock exchange members give their blessing to this new era – by reforming their governing council to allow in corporate and lay members. Nostalgia for the old order is known to be widespread, so the outcome is anything but certain.

Swap portfolios top $1,000bn

By Our Euromarkets Staff

INSTITUTIONAL portfolios of interest rate and currency swaps have now exceeded $1,000bn and the burgeoning market, which only started around five years ago, continues to experience an extremely low level of losses, according to two new reports conducted by Arthur Andersen for the International Swap Dealers Association, which groups 94 financial institutions worldwide dealing in swaps.

The survey on losses, which covered 71 firms, showed that only 11 had experienced any losses with write-offs totalling $33m on portfolios amounting to a notional total of $283bn.

Mr Mark Bricknell, the ISDA chairman, said the survey results spoke well for the swaps industry

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94¼	94¾	0	-0½	9.35
All Nippon Air 9⅝ 97	100	†94¾	95¼	-0⅛	-0½	10.25
American Brands 8⅞ 92	150	†97½	98	0	-0¼	9.57
A/S Eksportfinans 7⅞ 93	100	†92½	93	-0¼	-0¼	9.38
A/S Eksportfinans 7¼ 92	150	94½	95	-0⅛	-0⅛	9.03
Austria 10 98	100	102⅜	102¾	-0¼	-0⅛	9.60
Barc. Bk. Fin. 10¼ 89	200	†101⅝	102⅛	-0⅛	-0⅛	8.69
Belgium 9⅛ 92	400	†99½	100	0	-0⅛	9.18
British Telecom 7⅞ 96	250	88¾	89⅛	0	-0⅛	9.59
Cal.Nat/.Telecom 8½ 93	160	†98	98½	+0¼	+0½	8.96
Canada 9 96	1000	97¾	98⅛	-0⅛	-0⅜	9.34
Canadian Pac 10¾ 93	100	†103¾	104¼	0	0	9.74
C.C.C.E 7⅛ 91	113	†94⅜	94⅞	0	-0⅛	9.08
C.C.C.E 9¼ 95	300	98¼	98⅝	0	0	9.54
C.N.C.A 7¼ 91	150	94¼	94⅝	0	-0¼	9.21
Credit Lyonnais 9 91	200	99¾	100⅛	+0½	-0¼	8.96
Credit National 8¼ 93	200	96	96½	0	0	9.24
Credit National 7⅞ 92	100	94⅛	94⅝	0	-0¼	9.39
Credit National 7¼ 91	150	94½	95	0	0	9.08
Denmark 7⅛ 92	500	93¼	93¾	0	0	9.29
E.E.C. 7 91	100	94¼	94⅝	-0⅛	-0⅜	8.98
E.E.C. 7¼ 93	250	92½	93	0	-0⅜	9.22
E.E.C. 8 90	350	98⅝	99⅛	0	-0⅛	8.62
E.I.B. 7⅝ 93	100	93	93½	0	-0⅛	9.25
E.I.B. 9¼ 97	150	98¾	99⅛	0	-0¼	9.52
Elec. De France 9 98	200	95¼	95¾	0	-0⅜	9.72
Finland 7¾ 97	200	88¾	89⅛	0	-0⅜	9.80
Finland 7½ 93	200	92⅝	93⅛	-0⅛	-0⅜	9.29
Finn.Exp.Cd. 8½ 92	200	98¼	98¾	0	-0¼	8.97
Ford Motor Credit 8 91	250	97⅜	97⅞	-0⅛	-0⅜	9.06
Gen Elec Credit 10¼ 00	200	101⅛	101½	0	-0¼	10.06
G.M.A.C. 8 89	250	99¼	99½	0	-0¼	8.73
G.M.A.C. 8¼ 89	200	99½	100	0	-0⅛	0.09
Halifax BS 9½ 93	200	99⅞	100¼	0	+0¼	9.49
Hoesch 8¼ 97	100	†93	93½	0	-0¼	9.41
Italy 9 90	1000	100¼	100⅝	-0⅛	-0⅛	8.77
L.T.C.B of Japan 8 91	100	97½	98¼	-0⅛	-0⅛	8.86
L.T.C.B. of Japan 8 97	200	88⅝	88¾	-0⅛	-0½	10.06
Mercds-Benz Cd. 8½ 95	100	95	95½	0	-0⅛	9.48
Metropolis Tokyo 9½ 93	200	100⅝	101⅛	-0⅛	0	9.22
Morgan Guaranty Tst. 7 90	150	97	97½	0	-0¼	8.91
Norway 8¾ 93	500	98¼	98¾	0	-0⅛	9.14
Pepsico Inc 7⅞ 93	200	†92⅞	93⅜	0	-0¼	9.19
Portugal 8¾ 91	300	97⅝	98⅛	+0¼	0	9.15
Prudential Crp. 8⅞ 94	125	98	98½	-0⅛	-1	9.14
Qantas Airways 10⅛ 95	140	103¼	103¾	+0⅛	+0¼	9.66
Saab Scania 9½ 91	125	*101¼	102¼	0	0	8.54
Saskatchewan 10¾ 92	100	104⅛	104½	0	-0¼	9.28
State Bk S Aust 9¼ 93	100	99⅜	99⅞	-0¼	-0¼	9.43
Swed Exp Cred 7¼ 91	100	†94¾	95¼	-0¼	-0⅛	9.04
Swed Exp Cred 10 92	100	†102¼	102¾	-0¼	-0¼	9.19
Sweden 7 91	250	94⅝	95	0	-0⅛	8.93
Sweden 7 92	250	†93¾	94¼	-0¼	-0¼	9.01
Sweden 8¼ 96	200	95½	96	-0⅛	-0¼	9.54
Sweden 8½ 92	200	†98¼	98¾	0	-0⅛	8.94
Victorian Rep 11¼ 92	150	106¾	107¼	0	-0¼	9.32
World Bank 7 92	300	†94	94½	-0⅛	-0¼	8.95
World Bank 9 97	300	96⅝	97⅛	0	-0⅛	9.50
Yasuda Trust Fin 8½ 93	100	96⅛	96½	0	0	9.48

Average price change... On day 0 on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	99⅞	100⅜	+0⅛	-0⅛	5.94
Axis Fin.SVS 5⅞ 92	100	†100⅛	100⅝	-0⅛	-0⅛	5.75
Bank of Tokyo 5¾ 93	100	†101⅝	102¼	+0⅛	-0⅞	5.27
Central BK. Turkey 7 92	200	†102⅞	103⅜	-0⅛	-1¼	6.12
Commerzbank o/s. 5¼ 93	300	†99¼	99¾	-0½	-1	5.49
Degussa Int. 6⅛ 97	200	99	99⅝	+0⅛	-0⅛	6.22
E.I.B 5½ 98	150	95⅞	96⅜	-0⅛	0	6.01
E.I.B 6 97	300	97⅞	98⅜	+0⅛	-0⅜	6.26
E.I.B. 6¼ 96	300	98⅝	99⅛	-0¼	-1⅛	6.31
E.I.B. 6⅜ 97	400	98⅞	99¼	-0⅛	-0⅜	6.29
E.I.B. 6¾ 95	300	103⅜	103⅞	0	-1	6.26
Euro Coal& Steel 5⅞ 97	175	96	96¼	+0⅛	-1⅛	6.43
Eurofima 6¼ 96	100	99½	100¼	+0⅛	-0½	6.27
Elec De France 5⅞ 97	300	96⅞	97⅛	+0⅛	-0⅛	6.23
Forsmark Krig. 5⅛ 93	200	99	99½	-0⅛	-0⅛	5.30
I.A.D.B. 6 97	200	96⅞	97⅜	+0⅛	-0⅛	6.41
Japan Dev. Bk. 5⅞ 95	300	†96⅞	97¼	0	0	5.97
Japan Finance 5⅞ 97	100	95	95⅜	+0⅛	-0⅛	6.46
Ireland 6½ 97	300	†99¼	99⅝	+0⅛	-0⅛	6.57
Korea Dev BK 6⅝ 93	100	103⅛	103⅝	+0⅛	+1	5.78
Malaysia 6⅜ 94	150	98⅝	99⅛	0	0	6.46
Nat. West BK. Plc 6 98	300	95⅜	96¼	-1⅛	-1⅛	6.56
Oesters. Kontbk. 5 93	300	97⅞	98⅜	-0⅛	-0⅜	5.57
Portugal 5⅛ 92	150	100⅛	100⅞	0	-0⅛	5.61
Portugal 6⅛ 95	150	101⅝	102⅛	0	+1⅛	6.26
Privatbanken 5⅛ 95	150	98⅛	98⅝	0	-0½	5.59
Royal Insurance 5⅞ 92	300	†100	100½	-0⅛	-0⅛	5.41
Soc Cent Nuclear 7⅛ 95	150	103⅛	103⅞	0	-0⅛	6.60
Turkey 6⅛ 95	500	†97⅝	98	-0⅛	-0⅛	6.92
Westdb. Finance 5 93	200	†99⅛	99⅝	0	0	5.18
World BK. 6⅛ 97	600	98⅞	99⅜	-0⅛	-0⅛	6.40

Average price change... On day -0⅛ on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅛ 96	100	†102	102½	0	+0⅛	5.27
Asfinag 5 02	150	†99½	99¾	-0⅛	+0⅛	5.04
Bk. Fran.Econ. tiers 5 98	100	†100	100½	0	0	4.96
Bayer W/W 2⅛ 02	250	†99½	99¾	-0¼	-1	2.53
Bayer. Vrnsbk.Os.4¾ 98	100	†98	98¼	-0⅛	-1½	5.00
Elec.De France 5 07	100	*†98½	99½	0	-0¼	5.08
E.I.B 4¾ 97	200	†100	100¼	+0⅞	-0¼	4.73
E.I.B 4⅝ 97	200	†98⅛	98½	+0¼	-0⅛	4.86
Enso Gutzeit 5 99	100	*†100	100¼	0	-0⅛	4.98
Ireland 5 02	150	†98¼	98¾	-0⅛	0	5.15
Nippon Sais. Ksha.4⅝ 93	80	*†101	101¼	0	-1	4.39
Occidentl.Petrol 5⅛ 92	100	†103	103½	0	-0⅛	4.73
Prov.of Manitoba 4⅞ 02	200	†98	98½	-1⅛	-1⅛	4.99
Prudential Fin. 4¾ 98	200	†98	98¼	-0⅛	-0⅛	5.00
Qantas Airways 4⅞ 97	110	†97¼	97½	-0¼	+0⅛	5.12
Trans-Can Pipe 4⅞ 94	100	*†98½	99	0	-2	5.13
Usfg. 5½ 98	120	†102	103	-0⅜	-0⅛	5.08
Victoria Pwr.Ath 5⅜ 03	118	†100¼	101	0	+0⅛	5.28
World Bank 5 02	200	†98½	98¾	-0⅛	-0½	5.14

Average price change... On day -0⅛ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	100⅛	100⅝	0	-0¼	5.24
Belgium 4⅝ 94	45	95⅜	95¾	+0⅛	-0⅛	5.54
Canada 4⅞ 92	80	97⅜	97⅝	0	-0¼	5.09
Elec. De France 5⅛ 94	20	98⅜	98⅞	+0⅛	-0⅛	5.41
Ireland 5⅛ 93	30	99½	100	+0⅛	+0⅞	5.18
Norway 5⅛ 95	50	97⅜	97⅞	+0⅛	-0¼	5.53
Rep. of Italy 5⅛ 92	150	102	102¼	+0⅛	0	5.08
Sweden 4⅝ 93	50	97⅛	97⅜	0	0	5.28
World Bank 5⅛ 92	50	101½	101¾	+0⅛	-0⅛	5.05

Average price change... On day +0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS.10¼ 93 £	50	98⅛	98½	0	-0⅛	10.72
Alg. Bk. Ned. 5½ 92 FL	150	99½	100⅛	-0⅜	-0⅛	5.57
Amro Bank 6¼ 92 FL	150	100⅝	101	-0⅛	-0⅛	6.07
Barc. Aust. 14 91 A$	20	101⅛	101⅝	0	0	13.38
Barc. Bk. 10¼ 97 £	250	95½	96	+0⅛	-0⅞	10.97
BP Capital 9¾ 93 £	100	96¼	97¼	+0⅛	-0⅞	10.56
British Airways 10 98 £	100	94⅛	94⅝	+0¼	-0⅛	10.95
C.I.B.C.Mort.10¼ 93 C$	100	†99¾	100¼	0	-0⅛	10.71
Coop.Ctr.Rabo.6¼ 93 FL	100	100⅞	101⅜	+0⅛	-0⅛	5.95
Coop.Ctr.Rabo.6 92 FL	200	99⅞	100⅜	0	0	5.96
Denmark 7¾ 92 ECU	100	100⅝	101⅛	-0⅛	-0⅞	7.43
Deutsche Bank 9⅞ 97 £	75	†95	95½	+0½	-0⅛	10.72
Dent.Bk.Aust.12¾ 95 A$	70	99⅜	99⅞	0	-0¼	12.83
E.I.B 10⅛ 98 C$	130	†97⅞	98⅜	-0⅛	-0½	10.42
E.I.B 8⅝ 93 LF	10	†101	102	+0⅛	+0⅛	8.19
Elec.France 10¼ 95 C$	125	†99⅜	99⅞	-0⅛	-0½	10.32
Euratom 7⅞ 97 ECU	145	95⅜	95⅞	-0⅛	-0⅜	8.08
Eurofima 7½ 92 FL	50	†105¼	106	0	-1⅛	5.79
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†98⅞	99¼	-0⅛	-0½	10.06
Ford Cr.Can.10¾ 95 C$	100	†101⅛	101⅝	-0⅛	-0½	10.32
Gillette Can. 9⅞ 93 £	70	94⅛	94⅝	+0⅛	-0⅛	11.11
G.M.A.C. 9¾ 93 C$	150	†97⅞	98⅜	-0⅛	-0½	10.24
G.M.A.C. 9¼ 92 C$	75	†99⅞	100⅜	0	0	9.23
G.M.A.C Aus.Fin.14 90 A$	50	100⅜	101⅛	0	-0¼	13.39
Halifax BS 10⅛ 97 £	100	96⅛	96⅝	0	-0⅞	11.00
Heineken NV. 6½ 91 FL	150	†101½	102	+0⅛	-0⅛	5.72
Imp Chem Inds 10 03 £	100	94⅛	94⅝	-0¼	-0⅛	10.75
Inv.Industry Int.10 93 £	60	97½	98	+0½	-0⅛	10.60
Lloyds Bank 10¼ 98 £	150	94	94½	0	-1	11.23
Mtge.Bk.Den. 6¾ 91 FL	100	101⅞	102½	-0⅛	-0½	5.83
Nat.Australia 14 92 A$	50	100⅞	101⅜	+0¼	-0⅛	-0.14
Nat. West. Bk.13⅛ 92 A$	50	†100	100½	-0½	-0⅛	12.99
Nationwide BS 10⅛ 93 £	75	97⅛	97⅝	+0⅛	-0¼	10.84
Ned. Midd. Bank 6 92 FL	150	100	100½	-0⅜	-0½	5.91
New Zealand 9½ 93 £	100	95⅛	95⅝	+0¼	-0⅞	10.77
New Zealand 7¾ 93 ECU	200	100⅛	100⅝	+0⅛	-0⅜	7.60
Oesters. Ktbk.13⅛ 94 A$	75	102⅛	102½	0	-0⅜	13.05
Prudential Fin.9⅞ 07 £	150	88⅛	88⅝	+0½	-0⅛	10.84
Royal Bk.Scot.10⅝ 98 £	125	96⅛	96½	+0¼	-1	11.31
S.D.R. 7¾ 95 ECU	90	98⅞	99¼	+0⅛	-0⅛	7.94
Wstd.Lb.Fin. 12½ 93 A$	50	†99¼	99¾	-0⅛	0	12.61
World Bank 5¾ 92 FL	100	100⅝	101⅛	+0⅛	-0⅛	5.43
World Bank 13¼ 92 A$	100	†100½	101	0	0	13.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.33	99.38	21/07	8.33
Bq.Natle.Paris 91 US	.063	100.02	100.12	5/12	12.37
Belgium 91	0	100.27	100.37	22/08	7
Britannia 5 93 £	0⅛	99.62	99.67	10/10	10.37
Chase Manhattan Corp 91	0⅛	99.27	99.45	22/08	6.94
Citicorp 98	†0¼	96.75	96.97	31/08	7.69
EEC 3 92 DM	†0	100.21	100.31	22/08	3.56
Halifax BS 94 £	.1	99.62	99.67	9/08	8.47
Invt. in Industry 94 £	0	99.42	99.52	24/08	7.81
Leeds Perm. B/S. 94 £	0⅛	99.77	99.82	13/01	10.44
Midland Bank 01 £	.1	94.37	95.87	11/08	8.54
Milk Mkt.Brd. 5 95 £	0⅛	99.54	99.59	30/09	10
New Zealand 5 97 £	.07	99.82	99.92	18/08	7.81
New Zealand 5 01	0	99.91	100.01	4/08	6.98
State Bk. Nsw. 98 US	.188	100.46	100.56	11/08	7.09
United Kingdom 5 92	†0	100.01	100.11	7/01	7.81
Woolwich 5 95 £	0⅛	99.25	99.30	19/08	7.87

Average price change... On day +0.01 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	8/87	62	105⅞	106⅞	+0½	21.57
Alco Health 6½ 01	17/86	26.25	110	112	-1	0.82
American Brands 7⅞ 02	9/87	54.7	102⅛	103⅛	-0⅛	20.12
Ashikaga Bank 2⅛ 02	4/87	967	121⅛	122⅝	+0⅛	-3.23
Asics 5 92 DM	12/83	472.7	202¼	203¾	-9	0.95
CBS Inc 5 02	4/87	200	91¼	92¼	+0⅛	15.59
Fujitsu 3 99	5/84	1106	253¼	254⅝	-3⅛	-3.98
[illegible] 2⅞ 03 US	4/88	1069	117⅛	119⅛	-0⅛	-2.65
Land Secs. 6¾ 02 £	6/87	6.72	95⅛	96⅛	-0⅛	16.47
MCA Inc 5½ 02 US	9/87	69.62	81	82	+0⅛	35.11
Minolta Camera 2¼ 94 DM	2/86	1004	101¼	102¼	-1⅛	15.38
Mitsubishi Bk 1¼ 02 US	9/87	3157	100⅛	101⅛	-1	1.84
Mitsui Trust 2⅞ 01	10/86	1903	117	119	-0⅛	-2.58
Next Plc 5⅛ 03 £	11/87	4.3	101⅛	102⅛	0	74.79
[illegible] 2⅞ 03 US	4/88	884	113	114	+0⅛	1.96
[illegible] 2⅞ 02	4/87	1310	206	207⅛	+0⅛	2.53
Primerica 5⅛ 02	4/87	66.75	66	67	0	71.52
Ranks Hovis 4½ 03 £	11/88	3.5	128⅛	129⅛	-0⅛	-1.01
[illegible] 7⅛ 02 £	1/87	5.4	89⅛	90⅛	0	18.08
Texas Inst. 2¾ 02 US	9/87	82.87	77½	78½	-0⅛	45.66
W.R. Grace 6½ 02 US	9/87	42.12	85⅛	86⅛	0	38.21

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Elders forms global broking operation

By Haig Simonian

ELDERS FINANCE Group, a subsidiary of Elders IXL, the leading Australian conglomerate, is setting up a new international stockbroking business based in London.

The new company, called Roach International, will work independently within Elders Finance Group, which already incorporates an Australian broker, Roach Tilley Grice, and a UK private client operation, Cobbold Roach.

The target is international institutional business, though the new company, which employs a number of people previously with Ark Securities in London, notably on the sales side, will be concentrating on smaller markets.

"It will mainly be continental Europe," said Mr John Band, Roach International's managing director. "But the Elders connection will also give us the Far East and especially Australia." The US and Japanese markets will not be covered.

Roach International will have "very considerable financial backing" from its parent, although no details have yet been given.

INTERNATIONAL COMPANIES

UK acts as buyout bridgehead

Martin Dickson looks at a European specialist in management buyouts

IN BRITAIN, virtually every manager must have asked himself at some time whether he could do a management buyout. In Italy, virtually no-one thinks that way – but executives are now just starting to do so."

So says Mr Nicholas Ferguson, chairman of Schroder Ventures, the venture capital arm of the UK merchant bank Schroder Wagg, which recently announced the establishment of the first Italian management buyout fund by a foreign group.

The £40m ($68m) fund, which will also make general venture capital financings, underlines the way in which the idea of management buyouts is gradually gaining acceptance in continental Europe.

A buyout involves a group of managers buying the business they work for with the help of. institutions take equity stakes in the business or loan it money.

The idea gained popularity in the US in the 1970s and early 1980s, then crossed the Atlantic to the UK. On the continent, France is the most developed market.

Schroder Ventures has become one of the most broadly spread buyout advisory groups in Europe: It is a major player in the UK, set up the first buyout fund in West Germany, and this autumn it is planning a move into the French market, where it says it has hired a leading (though as yet unnamed) figure to head its operation.

How has it built up this position? Mr Ferguson points out that the field is a logical one for a group like Schroder Wagg, which has a wide international spread of interests and tends to rely on brainpower rather than the intensive use of capital to build up market niches.

Furthermore, the bank's involvement in venture capital goes back a long way. In 1986 it joined with the Rockefeller family interests to set up a venture capital fund to invest in American businesses.

That became a wholly-owned subsidiary of Schroders in the 1960s and since then it has launched a second US venture capital fund. The funds deployed there are tiny by American standards – $50m – but it was the long experience of America which gave Schroder the confidence to expand its venture capital operations internationally.

It has a C$80m (US$66m) buyout fund in Canada, while in Japan it has a Y3.4bn ($49.5m) venture capital business. But the main thrust has been into Europe, where 75 per cent of the $600m of the funds it advises are now deployed.

Here Schroders began with a major move into the UK buyout market in the mid 1980s.

To lead its operation it poached Mr Jon Moulton, who was then running the British venture capital side of Citicorp, the US bank which was one of the pioneers of the UK buyout movement.

Schroder's UK deals since then have included the £37m buyout of the Haden engineering group (the first time a buyout had been executed in the UK as a counter to a hostile takeover bid); the £50m buyout of Parker Pens (which recently aborted plans for a stock market listing); and this year the buyout of the quoted Glass Glover food distribution group.

In the UK, Schroder Ventures has £180m available for investment in management buyouts and venture capital opportunities. Its first buyout fund, totalling some £75m, is now almost fully invested and it is in the process of setting up a second, which is likely to be even bigger.

Its first move into continental Europe took it in 1985 to West Germany, where management buyouts were virtually unheard of. "Everyone said we couldn't do it," says Mr Ferguson. "But the harder it looked the more stubborn we got." His first task was to find a head for the local group, and after a long search he alighted on Mr Thomas Matzen, then running the German petfood operations of the US company Mars. Schroder Ventures now runs a DM140m ($74.8m) buyout fund in West Germany. Its deals there include the DM100m sale of Ex-Cell-O, the manufacturer of aerospace and automobile parts, which was formerly owned by Textron of the US.

Like Germany, Italy has long been widely regarded by many as infertile ground for management buyouts, but Mr Ferguson disagrees. He estimates there have been about 12 such deals in Italy over the past five years but now reckons there will be many more, since a large number of privately-owned companies will face succession problems.

He acknowledges that being a pioneer in a country can cause problems. For example, local accountants and lawyers with experience of buyouts are thin on the ground. But, he adds, "the benefit is that pioneers end up with the largest stockade." Just how profitable all this activity is for Schroders itself and for investors in its various funds has not been made public.

But the company claims to have done very well out of its investments so far. "The long run survivors in this business," says Mr Ferguson, " will be those who produce high returns commensurate with acceptable risks."

Higher storm claims hit German insurer

By Haig Simonian

KOELNISCHER Rueckversicherung (Cologne Re), West Germany's second largest reinsurer, faces gross claims of DM40m-DM45m ($21m-$24m)as a result of last October's storms which affected the UK and much of western Europe, a rise of DM20m on previous estimates.

About DM35m of the claims stem from the UK, according to Mr Juergen Zech, Cologne Re's chief executive. But despite a number of large claims, of which the storm was the biggest, group profits for last year, which will not be revealed until later this year, should be above those for 1986, when it made almost DM63m before tax and transfers to reserves. "1987 will be a good year and shows our international risk transfer strategy has worked," he said.

The improvement in earnings comes despite "considerable writedowns" in investments as a result of the stockmarket crash, and the lower value of the dollar against the D-Mark at the end of 1987.

Cologne Re works to a calender year, in contrast to most German reinsurers, meaning that its dollar-based investments will have to be converted to D-Marks at the rate of DM1.58 recorded in December, in accordance with the principle of lowest valuation. "We will be very affected by that," said Mr Zech.

The outlook for 1988 is good so far, according to Mr Zech, despite some "enormous losses" recorded in the industry. However, Cologne Re has come out relatively unscathed and is for example "practically not in" the Piper Alpha oil rig claim, he said.

Sandoz profits advance

By Our Financial Staff

SANDOZ, the Swiss drugs and chemicals group, saw profits grow during the first half of 1988 in line with expectations and expects good results for the entire year.

Group sales rose 9.1 per cent in the first six months to SFr5.05bn ($3.2bn). All divisions boosted sales measured in local currencies due to higher turnover volume.

"Based on this favourable situation, good results for the business year may be expected," Sandoz said.

The group posted 1987 group net profit of SFr627m on consolidated sales of SFr8.98bn.

The seeds division was the only Sandoz unit to post lower half-year sales when converted to Swiss francs, slipping 5 per cent to SFr390m. It blamed seasonal fluctuations in the US market for the decline.

Sandoz pharmaceutical division sales grew 11 per cent in Swiss franc terms to 2.21bn, attributed to a good reception for its specialised new products.

Agricultural sales rose 13 per cent to SFr535m on higher demand in both the US and Europe. Chemical sales were solid in all markets.

Mr Marc Moret, chairman, said in April that 1988 sales volume was expected to rise 10 per cent and net profit would improve by a similar amount

Fokker boosts production

By Our Financial Staff

FOKKER, the Dutch aerospace group, plans to upgrade production lines for the Fokker 100 passenger aircraft to build three planes a month, from about one at the moment.

"The size of our current order book and the prospect of some big new orders have led us to decide to upgrade the production line," the company said. "This will, however, lead to temporary delays in our current delivery programme."

The Fokker 100 programme got a big boost earlier this month when a year without any new orders ended with an order for 12 planes from Braniff, the US airline, through Irish leasing company GPA/Fokker 100.

Meanwhile KLM Royal Dutch Airlines said it will now receive all its 10 Fokker 100 aircraft five weeks later than originally scheduled.

KLM said the Dutch airline will receive its first Fokker 100 in January. The delivery delays will cause a few problems at the company, notably in its pilot training program, for which it will seek compensation from Fokker.

TECHNOLOGY

Europe places call for mobile telephone network by 1991

Della Bradshaw on a pioneering EC communications project

The evening's television programmes are continually punctuated these days by complaints from Amstrad founder Alan Sugar that he has to build his computers to numerous different standards in order to comply with regulations in different European countries. It is a problem which affects everything from complicated high technology equipment to the humble plug and socket.

It is also one of the reasons why the European Commission has decided to implement a standards harmonisation project, so that manufacturers can build to a single standard for equipment to be sold after the introduction of the Single European Market in 1992.

Leading the way in common standards development is the pan-European cellular radio project. Because the project is developing a brand new service working to a completely new specification, the success of the venture is crucial if the European powers want to persuade manufacturers to follow a similar course for existing equipment.

The manufacturers are looking at a market worth at least £800m a year

The aim of the pan-European cellular radio project is to develop a mobile phone network from scratch, based on the same digital technology as the more modern telephone networks. The carphones or hand portable phones bought in one country could be used throughout Europe, whether in London, Naples or Oslo.

For the service to come into full commercial operation by the proposed launch date of of July 1991, the aspirations of the telecommunications operators in 15 different countries, and as many different manufacturers, have to be harnessed.

From the manufacturers' point of view, the idea is to produce a network infrastructure and a range of phones that can be manufactured in Europe for the European consumer rather than relying on imported equipment. They are looking at a market worth at least £800m a year.

However it is the operators "club," the Conférence Européenne des Postes et Télécommunications (CEPT), which has the final say in the definition of the numerous standards to which the networks will operate across Europe.

A major problem has been that the differing interests of the manufacturers and operators, and differing plans among the operators themselves.

For example, some of the European operators wanted to incorporate a special brightly-coloured emergency button in all the telephone handsets, so that users travelling round Europe would not have to worry about learning the different emergency phone numbers.

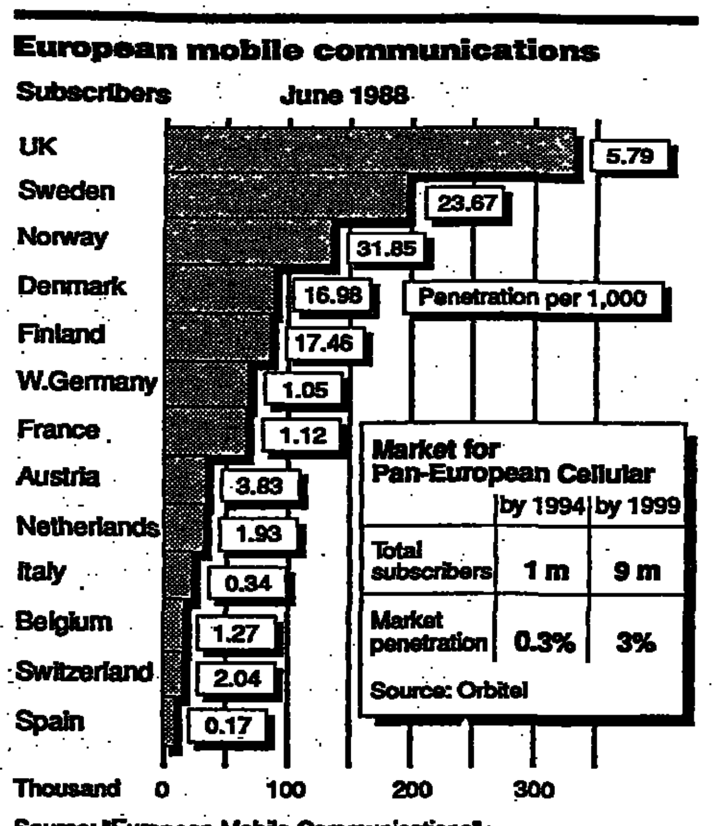
The introduction of such a button would have increased the complexity of the phone, and as a result its price. In addition, the opponents argued, it would have resulted in a lot of harassed emergency services operators, who would be phoned up whenever someone pushed the button by mistake.

In the end the committee agreed to a common number for emergency services across Europe, the star button followed by 99. "That's a very good example of how problems can arise when defining standards like this, and how sensible solutions can be achieved," says Mike Pinches, managing director of Orbitel, the Racal and Plessey joint venture company set up a year ago to develop equipment for the pan-European cellular system.

Pinches is confident that the manufacturers and operators will eventually sort out the remaining problems with the specification, even though only about 80 per cent of it is currently defined. But not all manufacturers are as happy about the situation.

Some are now publicly airing their grievances. Ulf Johansson, vice president of the Swedish manufacturer Ericsson Radio Systems, says certain aspects of the standard are far too complicated. One example he quotes is the signalling technique needed for setting up a phone call on the proposed system.

The signalling system being considered in the Groupe Spéciale Mobile (GSM), the group set up within the CEPT to deal specifically with the pan-European service, is the internationally-defined Number 7 signalling system, now being introduced by British Telecom and other telecoms companies in the ordinary telephone network. That signalling system will support the integrated services digital network (ISDN) concept, which gives combined voice and data transmission over a single telephone line or radio channel.



Source: "European Mobile Communications"

Johansson believes that the signalling system is not necessary for ordinary phone calls. "The complexity of the call set up using the protocol based on ISDN is ten times what it is on current systems," he says, "and you don't need that level of complexity just to make ordinary phone calls."

He believes that the ISDN signalling pushes up the complexity of the equipment and the price. "I think the ISDN-based system should be adopted, but the protocol should be partitioned so that you can have a simple signalling standard and the more complex ISDN-based one in the same framework."

In addition, because some manufacturers are already established suppliers of the current generation of analogue cellular radio systems, vested interests come into play. As a result disagreements have arisen between the operators and manufacturers about exactly where each function in the system should be placed.

For commercial reasons some manufacturers prefer the "intelligence" in the cellular radio network to be sited in the mobile telephone exchange, which is the heart of the network. Others prefer less dependence on that switching centre with more processing done in the regional base stations. Either way, some manufacturers would benefit, others would not.

With that in mind, a special unit within the GSM committee has been set up to determine the best way of developing the pan-European system so that operators end up with the cheapest networks.

For that reason most of the complexities are put into the switching and base station units, not the phone itself. Operators are hoping to be able to sell phones onto the new networks for about £400 in 1991, compared to the £500-£1,000 for the cheapest cellular phone today. They are also hoping to keep the cost of the infrastructure down to £350 for every subscriber on the network.

Even though the standard is a new one, problems of intellectual property right infringements have already raised their heads. The "codec," the crucial component in the cellular phone which translates the speech into digital radio signals, may infringe patents held by some American firms. The lawyers have still to decide.

As well as walking the tightrope between complexity and cost, the GSM committee is also trying to strike the right balance between what goes into the mandatory standard and what can be left to each country or manufacturer's interpretion. Again, disagreement is rife.

Johansson is worried that the specification has been too minutely defined at the outset, and that this will inhibit the development of technologically advanced enhancements later on. Other interested parties do not agree.

Peter Carpenter, Business Planning Director at British Telecom Mobile Communications and in charge of co-ordinating BT's input to the European forum, says he believes that the system specification as its stands is flexible enough to allow operators leeway in implementing their systems, but sufficiently defined to allow competetive tendering to be a success.

One of the key advantages of the proposed pan-European system is that because of the three mandatory interface points on the network, telephone companies can go to different manufacturers for the different parts of the network - telephone exchanges, base stations and phones.

If one supplier fails to deliver or keep up with developments, then the cellular radio operator can go to another company for the next part of the system, and all the different elements will work together.

In Britain operator-specific developments are likely to be implemented if they give one of the two operators a competitive edge by differentiating the services.

On the current generation of systems both Racal Vodafone and Cellnet have introduced services on their networks to do just that.

But in Europe, where in most cases there will be only one cellular radio operator for each country, the individual quirks of the operators are more likely to be based on tradition than on competition.

"We know in some countries it will be necessary to have minor adaptations," says Michel Canitrot, radio marketing manager at the French electronics giant Matra. "Each administration has defined bits they want done differently, such as the temperatures the equipment can be subjected to or the materials that can be used."

With all deadlines achieved so far, the target date looks more than feasible

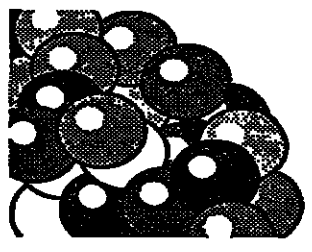
In order to ensure the the commercial pan-European service begins on time in July 1991, the GSM committee imposed a strict timetable at the onset of the programme to make sure that progress could be monitored.

One of the most crucial deadlines is the end of this month. By that time all the telecoms operators in Europe should have decided which manufacturers they will go to for the first phase of equipment ordering.

The only announcement to come so far is from Britain's Racal Vodafone, which has chosen two suppliers, Ericsson Radio Systems and Orbitel (in which it has a stake).

Bernard Mallinder, the man with the difficult task of co-ordinating all the permanent staff in the GSM group in Paris, believes that goodwill will carry the day. "There's a European spirit in making this work. Everybody wants it to happen and that's why it's maintaining the schedule. Everybody wants to get there."

Whether Amstrad's Alan Sugar will be as fortunate in his attempts to harmonise computer standards is another matter.



WORTH WATCHING

Edited by Geoffrey Charlish

Security guards for office PCs

DIRECTORS AND executives who generate or read paperwork covering say, their company's corporate financial position, or their market strategy, routinely make sure, by lock and key, that unauthorised access is denied.

According to Sussex company Computer Security, the same care is unlikely to be taken when such information held on a personal computer. For a sufficiently skilled fraudster, it is simple matter to copy most of a company's secrets on to a couple of pocketable disks.

Computer Security believes that although mainframes may be well protected, the same cannot be said of the PC. So it has applied some of its mainframe security expertise to three new products.

PC-Guard, for example, which is software for IBM PCs, combines access control with file security for each user, and uses passwords and encryption. This can be enhanced with hardware called Safe S2000, which uses two microprocessors for further encryption of sensitive data. A third product, Mail-Guard, will ensure the secure transmission of electronic mail.

Microsoft guards against piracy

MICROSOFT, MAINLY known for its MS/DOS personal computer operating system, is to use Software Sentinel, a hardware-based protection system from California Software Products, to prevent piracy of its software in countries where there are no software copyright laws. Software supplied in Arabic will be tackled first.

In the US and Europe Microsoft relies on the legal persuasion provided by the copyright laws to prevent or stop copying. Elsewhere this may not be possible.

Mr Richard Hevron of Microsoft takes the view that it is useless to put "thousands and thousands of dollars into research, only to lose it all to software piracy."

California's product provides software access protection via a hardware unit which is plugged into a socket on the personal computer. Protected software will only operate on a machine where Sentinel is installed.

During operation, the operating program repeatedly sends out a data stream to an algorithm (mathematical code) embedded within the Sentinel by software developers such as Microsoft. Without a response from Sentinel, the program will not run.

An advantage is that copies can be made, making life easier for the accredited user, but they will only run on the associated machine. David Svendsen, Microsoft's UK managing director, believes the use of devices like Sentinel could open up Eastern Europe, China and other countries to Western software sales. Microsoft however, has no immediate plans to extend protection to application software.

Hospital project for US army

THE US Army is to spend $1bn over the next eight years to provide an integrated hospital information system in 754 military hospitals throughout the world. The contracting team is headed by Science Applications International Corporation and the system will be based on DEC computers.

Patient administration, patient scheduling, laboratory information, radiology, pharmacy, nursing demand and diet requirements will all be automated.

Stringent Department of Defense security requirements had to be met, particularly for the local area network (LAN) segment of the scheme, and there will be various levels of access based on passwords. The LAN work has been awarded to Able Computer, which expects to receive contracts totalling $50m. Appropriate personnel throughout any facility, from the smallest clinic to the largest hospital, will have instant access to patient records.

CONTACTS: Computer Security: UK, 0273 672191. Able Computer: UK office, 0635 32125. California Software Products: UK office, 0753 41278.

Company Notices

THE SUNGEI BESI MINES MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of members of The Sungei Besi Mines Malaysia Berhad will be held at the PNB Theatrette, 2nd Floor, Menara PNB, 201A, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia on Monday 22nd August, 1988 at 10.00 a.m. for the following purposes:

To consider and, if thought fit, pass the following as ordinary resolutions:

1. 'That the profit and loss account for the year ended 31st March, 1988 and the balance sheet of the Company at that date and the statement of source and application of funds of the Company together with the annexed reports of the Directors and Auditors be and are hereby received and adopted and the final dividend of 40 sen per share, less tax at 40%, recommend therein be and is hereby approved and declared payable on 25th August, 1988, to members registered at the close of business on 29th July, 1988.'
2. 'That Encik Zubidi Talib, who retires by rotation, be and is hereby re-elected a Director of the Company.'
3. 'That Messrs Peat Marwick, who are eligible and have given their consent for re-appointment, be and are hereby re-appointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to them be fixed by the Board.'

By Order of the Board
Azlina Abdul Aziz
Secretary

Kuala Lumpur
20th July, 1988

Notes:

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.

A form of proxy to be valid must reach the Registrars' office at 32nd Floor, Menara PNB, 201A, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia or the United Kingdom Registrars' Office at Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL, England not less than 48 hours before the meeting.

There are no Directors' service contracts required by The Stock Exchange, London to be made available for inspection at the meeting.

BHP

The Broken Hill Proprietary Company Limited gives notice that on Tuesday 20 September 1988 there will be a general meeting of shareholders at which there will be an election of Directors.

In accordance with the Company's Articles of Association, shareholder nominations for election to the office of Director must be received at the registered office of the Company not earlier than Tuesday 26 July 1988 and not later than Tuesday 9 August 1988.

Nominations should be addressed to:
The Secretary
The Broken Hill Proprietary Company Limited
Level 41, BHP House, 140 William Street
MELBOURNE, VIC. 3000

Shareholders will receive through the mail late in August the Notice of Meeting containing details of the business to be conducted at the Meeting.

M. J. JANES
SECRETARY

CHARTER CONSOLIDATED P.L.C.

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

Subject to approval by shareholders at the annual general meeting on 2 August 1988, a final dividend of 10.25p per share will be payable on or after 4 August 1988 to persons presenting coupon no. 47 detached from share warrants to bearer. Coupons, which must be left four clear days for examination, may be lodged any weekday (Saturday excepted) between 10 a.m. and 3 p.m. at the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX, or at Credit Lyonnais, 19 boulevard des Italiens, 75002 Paris, or L'Europeenne de Banque, 21 rue Laffitte, 75428 Paris. Listing forms may be obtained on application.

40 Holborn Viaduct
London EC1P 1AJ

20 July 1988

GLOBAL GOVERNMENT PLUS FUND LIMITED

International Depositary Receipts representing 100 Common Shares

Notice is hereby given to the shareholders that the board of Directors of GLOBAL GOVERNMENT PLUS FUND LIMITED has declared a dividend of US$ 0,095 per share payable on 30th June, 1988, to shareholders on the register at the close of business on 15th June, 1988.

As of 15th July, 1988, coupon nbr. 1 of the International Depositary Receipts will be payable in US$ at the rate of US$ 9.25 per IDR of 100 common shares, net of the depositary's fee, at the following offices of Morgan Guaranty Trust Company of New York:

- Brussels, 35, Avenue des Arts
- London, 1, Angel Court
- Frankfurt, 44-46, Mainzer Landstrasse
- Zurich, 38, Stockerstrasse

In declaring this dividend the directors took into consideration net investment income available for distribution to shareholders generated by investment activities of the fund from inception on 29th February, 1988 through 31st May, 1988.

Morgan Guaranty Trust Company of New York
Brussels Office, as Depositary

BRISA

Auto - Estradas de Portugal S.A.
Japanese YEN 10,000,000,000
Guaranteed Floating Rate Notes 1992

In accordance with the description of the Notes, notice is hereby given that for the interest period July 20, 1988 to January 20, 1989, the Notes will carry an interest rate of 4.9% p.a.

The interest payable on January 20, 1989 against coupon no. 3 will be YEN 245,408 per Note of YEN 10,000,000.

THE AGENT BANK

Legal Notices

MONOPOL HOLDINGS LIMITED

Notice is hereby given that the Order of the High Court of Justice (Chancery Division) dated 11th July 1988 confirming the Reduction of Capital of the above named Company from £280,000 to £203,935, and the reduction of the Share Premium Account by the sum of £722,617 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 19th July 1988.

STEPHEN HYMAN & CO
Carlton House
16/18 Albert Square
MANCHESTER M2 5PR.

(EF/M3609/2)

Art Galleries

LEFEVRE GALLERY - 30 Bruton Street, W1. 01-493 2107. Picasso works on paper, Barcelona, Blue and Pink periods. 15th June - 22nd July, Mon-Fri 10-5; Sat 10-12.30.

Personal

PUBLIC SPEAKING Training and speech writing by award winning speaker. First lesson free. 01 930 2197.

Exhibitions

Special Free 2-day courses on Starting A Business. Tues 26th & 2nd (EZ), or Fris. 29th & 5th (Tower Hotel). Walter House Management Centre 01-730 3221.

UK COMPANY NEWS

Northamber almost doubles profit and announces £5.4m rights issue

ALMOST DOUBLED profits, a 50 per cent hike in the dividend, and a rights issue to raise £5.4m net are announced by Northamber, supplier of computers, printers and peripheral products.

The directors explained that the group was well placed for further expansion, and the capital base should be raised for that to be financed prudently. Proceeds will be used to repay some borrowings and enable the group to take greater advantage of supplier early settlement discounts.

In the year ended April 30 1988 the group lifted turnover from £35.5m to £67m and profit before tax from £2.7m to £5.2m, equal to increases of 89 per cent and 93 per cent respectively.

From earnings advancing by 94 per cent to 20.9p, the dividend is to be 1.5p (adjusted 1p).

The issue comprises 1.77m shares, offered to holders registered July 13 on the basis of one-for-nine at 310p each. On Monday night the shares closed at 352p, and yesterday fell to 348p.

Charterhouse Bank will underwrite the issue and County NatWest Wood Mackenzie are the brokers.

Graig trebles

Graig Shipping, more than trebled pre-tax profits for the year to end-March 1988 to £2.51m (£701,000) on turnover of £21.7m (£11.49m). Earnings per £1 share were 87.6p (42p) and a final dividend of 15p (10p) for a total 20p (15p) is proposed. The company also proposes to split its £1 ordinary and £1 non-voting shares into 20p ordinary and 20p non-voting shares. Tax took £747,000 against a credit last time of £71,000.

Bloodstock down

Pre-tax profits of USM-quoted British Bloodstock Agency fell from £745,000 to £563,000 for the year to March 31 1988. Turnover was £5.38m, against £5.56m. There was a decline in bloodstock commissions and a fall of £78,689 in interest receivable. Earnings per share fell to 9.8p (11.9p) but the dividend is maintained at 8.8p with a 6.3p final.

Bensons up 23%

Bensons Crisps interim profits rose 23 per cent to £252,000 from £205,000 and the USM-quoted company is paying its first interim dividend of 0.5p since coming to the market. Turnover for the six months to May 28 1988 was £6.57m (£5.52m) and earnings per 10p share came out at 3.2p (1.8p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Adacene ......fin	2.8	-	-	4.3	-
Aim Group ......fin	5.3	Oct 3	4.1	7.5	6
Bensons Crisps §......int	0.5	-	-	-	0.5
Brasway ......fin	0.72	Oct 26	0.43*	1.02	0.68*
Brit Bloodstck §......fin	6.3	-	6.3	8.8	8.8
Eurotherm ......int	2.2†	-	1.75	-	6
Graig Shipping ......fin	15	Sept 17	10	20	15
Helton Holdings ......fin	1⁑	-	0.5	1	0.5
Israel (Jack) § ......fin	0.6	Sept 8	0.5	0.6	0.5
Leslie Wise ......int	1.25	-	0.5	-	2
Meldrum Inv Tst ......int	1.4	-	1.2	-	3.5
Northamber ......fin	1.5	Oct 3	1*	1.5	1*
Trevian Hldngs §......fin	1	-	-	1	-
Tops Estates ......fin	1	Oct 18	0.48*	1	0.48*
West Inds ......fin	0.75	-	0.75	1	1
Widney ......int	0.5	-	0.4	-	1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ◊Third market. ⁑Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Atlantic Computers, First Leisure, Micro Systems.

Finals- Beapak, H P Bulmer, Chelsea Man, Eve, Fleming Technology Inv Trust, Stanley Leisure, Zetters.

FUTURE DATES

Interims-	
Aaronson	July 25
Bullough	July 25
Clarke (T)	Aug 18
Conroy Petrol & Nat Res	July 28
Nichols (JN)	Aug 17
Perkins Foods	July 22
Richardson Westgarth	Aug 15
Rotork	Aug 10
Finals-	
BBB Design	July 22
Great Universal Stores	July 21
Herrburger Brooks	Aug 9
Hidong Estate	July 29
London Shop	July 27

Unlikely suitor wins Atlantic Computers

The acquisition gives B & C a new profit centre, writes Philip Coggan

SYNERGY is an oft-quoted justification for corporate acquisitions, but Mr John Gunn, chairman of British & Commonwealth Holdings, yesterday claimed no such benefits from the £416m agreed bid for computer leasing company Atlantic Computers.

The announcement that B & C was the bidder came as a surprise to the market, which was expecting GEC or even BET to emerge as Atlantic's suitor. Coupled with a statement that this year's profits were so far only "broadly in line" with last year's, the effect was to knock nearly 10 per cent off B & C's share price.

What are the attractions of Atlantic for B & C? The company already has leasing interests via a majority holding in the Irish quoted company Woodchester Investments. But Mr Gunn said yesterday that Atlantic was a completely different business from Woodchester and there was no fit between the two.

Atlantic's real appeal is strategic. Since the sale of Bricom, its transport and commercial services division, in a management buyout, money broking is by far the largest contributor to B & C's profits. The acquisition of Atlantic, which analysts expect to make £45m before tax this year, will add a new and substantial profit centre to the group.

If Atlantic does make £45m this year, B & C will have bought the company on a prospective p/e of about 11. Mr Gunn expects the purchase to enhance, rather than dilute, the company's earnings.

Some enhancement may come in handy. B & C's shares have suffered since the markets crash. It was the worst performing FT-SE 100 stock in the first half of this year and yesterday's trading statement is not likely to encourage a recovery. Last year's pre-tax profits of £131m included £46m from investment activities, a figure which could be substantially lower this year, and Gartmore, the fund management arm, has been suffering from the after effects of Black Monday.

John Gunn: expects earnings enhancement

The City, however, was not altogether sure yesterday that Atlantic Computers was B & C's best diversification option. The computer leasing sector has been dogged for some time by investor disquiet over its accounting practices and its vulnerability to the winds of technological change.

Atlantic, which has been listed since 1983, was generally perceived as the strongest of the quoted UK computer leasing companies. It has a track record of consistent, and impressive profits growth and was strong enough to absorb one of its quoted rivals, Comcap, last year.

And, since 1986, Atlantic has changed its accounting practices to remove from its profits the analysts' greatest bugbear, residual values.

At the end of every lease, companies like Atlantic are left with computers which they may be able to sell or lease out again. Some companies estimated this eventual residual value and set it against the initial cost of the equipment, thereby recognizing profits before they were actually realised. If for some reason, the computers became technically obsolete, then the companies had to write off the residual values at the end of the lease.

Such accounting practices made many analysts unhappy and Atlantic no longer recognises residual values. But the City remains twitchy about the sector and gradually Atlantic's rivals have been absorbed by bigger companies, leaving it the only remaining quoted independent company in the sector.

Atlantic is optimistic about the future. Although it has a dominant share (70 per cent) of the UK market, it has plenty of scope to expand in the European, US and Pacific basin markets where it has only small shares. In any case, it believes that the world computer services market is set to grow at 20 per cent per annum over the next five years.

But, although it says it was not looking for a bidder until B & C came along, the company has not regained its stride since the death of Mr John Foulston, its founder, in a racing crash last year. The shares have underperformed the market substantially and B & C's bid will probably be welcomed by shareholders who must have been despairing at the company's lowly rating.

Sthn Water stakes 'aggressive'

By Andrew Hill

THE WATER Companies Association said yesterday Southern Water Authority's building of stakes in three statutory water companies in its region "must be seen as aggressive".

The association, which represents 28 of the UK's 29 water companies, said Southern's investment in West Kent, Eastbourne and Mid-Sussex water companies might reduce competition and could be outside the authority's official powers.

It is seeking an urgent meeting with Mr Nicholas Ridley, the Environment Secretary, who today announces the authorities' annual results.

Statutory companies work alongside the 10 much larger authorities, and supply 25 per cent of the water in England and Wales.

"It is a matter of deep regret that Southern found it necessary to hide behind nominee names in its share-dealing activities", said the association.

Southern said it was not aiming to take the companies over and would neither confirm nor deny the WCA's allegations that the authority used nominee shareholdings to block last October's proposed merger between West Kent Water Company and East Surrey, which operates outside its area of supply.

The association suspects other authorities of stake-building through nominees. Northumbrian Water Authority has already declared holdings in two companies in its region.

Statutory companies are not registered under the Companies Act and cannot force nominees to disclose the ultimate shareholder.

In June, Mr Roy Watts, Thames Water Authority chairman, said Thames would invest in statutory companies following privatisation of the authorities, which could take place inautumn 1989. French water suppliers and their UK partners have built substantial stakes in all but one of seven statutory companies in the Thames region, but the authority said last night it had not bought statutory company shares.

Members try to stop UniChem plan

By Clay Harris

DISSIDENT MEMBERS of UniChem have requisitioned a special meeting of the friendly society, over directors' objections, in an effort to block the pharmaceutical wholesaler's controversial share discount scheme.

However, UniChem said yesterday it was likely to take steps to prevent the September 14 meeting from proceeding. "I don't expect us to let this pass without challenge", said Mr Jeff Harris, finance director.

The dissidents, led by Mr John Newbould, a Rotherham chemist, plan to put a resolution which seeks conversion of UniChem into a limited liability company this year – instead of 1990 as proposed by management – and puts a membership deadline of March 31 1988 on participation.

This would abort the proposed scheme which would allow chemists to apply for shares at flotation at a substantial discount linked to their orders from UniChem in the meantime.

UniChem's competitors, including Macarthy and AAH's Vestric division have strongly objected to the plan, which is being studied by the Office of Fair Trading.

Mr Harris denied Mr Newbould's contention that UniChem's solicitors had threatened to seek an injunction against the mailing of meeting notices, which was completed on Monday night. However, legal action was one option.

A UniChem ballot of members seeking approval for the share scheme closes next Tuesday.

Mr Newbould claims the plan discriminates against chemists who spend less than £84,000 a year with UniChem. It would also allow newcomers to "plunder" the assets and goodwill of the society to the detriment of long-time members.

RHM's adviser objects to Goodman statement

By Nikki Tait

WITH NO sign of a bid yesterday from Goodman Fielder Wattie, Morgan Grenfell, financial adviser to Ranks Hovis McDougall, raised the Sydney-based company's earlier statement with the Takeover Panel.

The statement said that any offer would be made at a level "not be materially different from the current market price of 445p."

Morgan Grenfell's objection centred on the words "materially different". When the statement was made last week, in the wake of numerous rumours over Goodman's intentions, it had the immediate effect of capping the run in the RHM share price.

Since then, however, there has been considerable speculation over the level at which any bid might be launched. Press reports have suggested anything up to 500p. RHM shares rose 10p to 468p yesterday.

Yesterday, the Panel said only that its policy towards holding statements was fairly flexible – so long as the company making the announcement was not misleading anyone and was giving everyone the same information.

It added that it worked on the principle of "would an average person say this is material?", given all the surrounding circumstances, rather than on a fixed percentage movement. It could not recall a directly parallel situation in the past.

In the wake of Goodman's announcement – made of its own volition – a number of analysts suggested that the exit multiple offered by a bid pitched around 450p might have difficulty in succeeding.

To date, Goodman's only official statement has been that it is considering an offer for the food and bakeries group. However, this is widely expected to translate into a bid this week. Goodman already holds 29.4 per cent of RHM.

Error in Young accounts spotted by shareholder

By Lisa Wood

THERE WERE red faces in the offices of Pannell Kerr Forster, auditors, yesterday after it was discovered at the annual meeting of Young and Co's Brewery that a set of figures in the report and accounts did not add up.

A lone figure among the 1,335 shareholders present at London's Grosvenor House Hotel objected to the adoption of the accounts. He claimed – and a clatter of calculators came to the same conclusion – that there was a discrepancy of £119,618 in the statement regarding where Young's cash funds came from and where they went.

Shareholders, however, were unperturbed with the remaining 1,334 giving their endorsement to a motion asking that the report and accounts be adopted.

Mr John Young, chairman, said: "This lone shareholder was right and it was greatly to the embarrassment of the auditors."

According to Mr Young it was not quite clear whether or not the discrepancy was the fault of the auditors or the printer who might have used an uncorrected proof of the unfortunate page.

Brasway makes 70% advance

The confident tenor of the chairman's statement at the interim stage in December was borne out yesterday when Brasway, engineering and oil blending group, revealed a 70 per cent expansion in taxable profits for the year to April 30.

On turnover up from £22.95m to £34.84m, the pre-tax outcome showed an advance from £1.4m to £2.38m. Interest charges increased to £459,000 (£174,000), while a credit of £80,000 relating mainly to the surplus arising from the sale of the group's old bright bar division factory was taken above the line.

Mr R A Swaby, chairman, said the current year had started well.

A recommended final dividend of 0.7175p makes 1.0175p (0.675p) for the year from earnings per 10p share of 4.44p (2.52p).

Eurotherm advances 41% to £5.8m at first half

By Clare Pearson

MOST DIVISIONS of Eurotherm International, the manufacturer of industrial process control equipment, saw continued strong growth in the six months to April 30. Pre-tax profits rose 41 per cent to £5.8m.

But, although orders are currently about 20 per cent ahead of this time last year, the company cautioned it was too early to tell whether the second-half profit would exceed that achieved in 1986-87. Kineron Gauging Systems, acquired in May 1987, contributed £700,000 in its first full half year.

Performances of most overseas operations were described as outstanding, with Chessell, the chart recording equipment concern, and SSD, which sells electric motor speed control systems, achieving especially good sales in France and Germany. US sales were static, but the company is hoping the introduction of new products will remedy this.

Growth in UK sales, where both Eurotherm (which makes temperature controllers) and Chessell have about a 60 per cent share of their markets, slowed. However, the 42 per cent increase achieved in the last full year was mainly attributable to a big one-off order received by TCS, the process control systems company.

Eurotherm has progressed its policy of disposing of fringe subsidiaries with the sale of Robocom, the computer aided design concern, to its management.

It has also bought out its partner's share in CAMM, the management information systems company.

"This leaves only one non-core division, Infocare, which makes bar management systems. A number of buyers are said to be interested in acquiring it, though the company says it would, alternatively, be happy to wind it back into the main group.

Turnover reached £61.02m (£48.88m), split as to £19.26m (£17.70m) for the UK, and £41.78m (£31.18m) for overseas. The tax charge fell from 43 per cent to 37 per cent. Minority interests took £149,000 (£2,000). Earnings per share came out at 12.25p (8.6p). The interim dividend is increased to 2.20p (1.75p).

COMMENT

Eurotherm is desperate to make sure no one gets too excited about its better-than-expected first half results because it has fallen foul of what it regards as the City's myopic views in the past. Its shares slumped dramatically after the crash, though they have since clawed their way back from the turn-of-the-year low point of below 250p. However, even at yesterday's closing price of 392p, the prospective p/e was still only about 11 on a forecast of £16m pre-tax for the full year. Yet analysts expect underlying growth in Eurotherm's core industrial automation activities, on which it is now firmly refocused, to be around 20 per cent for the next year: in the UK it can broaden its base and there is plenty of scope to increase market share in the US and Europe. Product introductions so far have been higher than ever before. Central finance controls have been strengthened since the appointment of a new finance director in January, and this has already been reflected in the lower tax charge. Though the shares may not move much in the short term, they are still undervalued.

UK COMPANY NEWS

Beatson Clark rejects 'opportunistic' TT bid

By Ray Bashford

BEATSON CLARK, Rotherham-based glass bottle and jar manufacturer, yesterday rejected as "opportunistic" a £25.8m takeover bid from TT Group.

TT, formerly Tyzack Turner, which in February came under the control of Mr John Newman and Mr Nicholas Shipp, is offering four new ordinary shares for every three Beatson Clark shares.

The announcement pushed Beatson Clark shares 62p higher to 350p, while TT shares added 2p to 263p.

Beatson Clark, which achieved pre-tax profits of £1.56m on turnover of £42.3m in 1987, has been the subject of considerable takeover speculation, heightened with the apperance last October on the share register of interests associated with Sir Ron Brierley, the New Zealand entrepreneur.

TT disclosed yesterday that it had last week negotiated the acquisition of half of Sir Ron's 10 per cent holding at 300p a share. It also negotiated an option over the remainder of the stake.

TT also has a 5 per cent interest purchased through the market at an average of 280p.

Beatson Clark directors directly control 10 per cent of the capital with another 12 per cent in the hands of friendly holders, according to Mr David Clark, executive chairman.

A 23.7 per cent stake in Beatson Clark held by AAF, South African-controlled investment company, is crucial to the outcome of the bid.

According to Mr Clark, AAF directors were yesterday coincidentally visiting the company shortly after the takeover was announced.

It is understood that AAF has decided *not to* accept the offer on the present terms. Mr Clark said that as a result of the visit, AAF directors "have a much better understanding of the offer".

According to Mr Shipp, TT has held no discussions with AAF.

Mr Clark said that the board was "totally unconvinced that TT Group would be able to contribute anything to the development of our business". He added that following a recent shake-up in the company which led to 180 redundancies, it was in shareholders best interests to remain independent.

Mr Newman, who was acquisition manger with Hanson Trust for seven years from 1970, and Mr Shipp, formerly employed by a London stockbroker, hold 40 per cent of TT, an interest acquired after they reversed in several companies under their control.

Greece Fund for market via placing

By Philip Coggan

GREECE FUND will shortly join the stock market via a placing and offer-for-sale sponsored by Schroder Securities.

The fund, which will be the first in the UK to specialise in Greek investments, will raise around $25m via this issue. About 75 per cent of the issue will be pre-placed with institutions; the rest will be conditionally placed but will be open to applications from investors for a minimum of 1,000 shares. The likely share price is around $10.70 and the fund will aim for capital appreciation, rather than income return.

The Greek stock market is currently dominated by the financial sector which makes up around 50 per cent of the total capitalisation. The textile sector makes up 24 per cent of the market but is domianted by one company, P Patriaki, in which there is very little trading.

The entire Greek market is capitalised at around $4bn. Although the market suffered substantially in the crash, its index has now recovered to around pre-Crash levels.

Berisford buys nearly 8% of Billingsgate

By Clare Pearson

S&W BERISFORD, sugar refiner and commodities trader, has bought nearly 8 per cent of Billingsgate City Securities' preferred ordinary shares – just a month after they obtained a London listing.

Berisford owned Midland Montagu House, Billingsgate's only asset, before the company was floated. Berisford retained all the ordinary share capital but preferred ordinary shares and deep discount bonds were issued publicly, originally in Luxembourg.

The 25m preferred securities, which give the holder a right to about 30 per cent of the building's rental income and capital appreciation, have been viewed as performing disappointingly since they were issued in 1986.

Ahead of the announcement that Berisford's Swiss subsidiary, Erlanger Commercial Corporation, had picked up 2m preferred shares they stood at 113p, a discount to net asset value.

A relaxation of Stock Exchange rules allowed the preferred shares to be listed in London in June of this year.

West Industries down at £0.17m and raising £3m

WITH THE announcement of its results for the year ended March 31 1988, West Industries gives details of a capital injection which means changes to the composition of the board.

Turnover in the year moved ahead to £13.79m (£8.22m) but pre-tax profit fell to £173,800, from £277,900, after exceptional debits of £52,300. The dividend is held at 1p, with a final of 0.75p.

A further £3m put into the company through subscription of 12.5m shares at 25p each, by way of a placing to Firstmeasure (7.8m shares) and an open offer to shareholders (4.2m shares), which is underwritten by Firstmeasure.

On completion of the deal on August 1, Mr Sheppard will retire from the board, along with non-executive directors Mr P.D. Brown, Mr P.S. Harford, and Mr P.D. Nicholson.

Mr Mel Morris and Mr Irvine Aronson, major shareholders in Firstmeasure, will come on to the board, with Mr Morris as chairman. They will be joined by Mr D. Jones as managing director.

On the year's results Mr Sheppard said the construction and engineering divisions recorded excellent performances, with the exception of one construction contract. No settlement had yet been reached.

The company also incurred heavy development expenditure in the pest control division.

Tops Estates up

Tops Estates, property investment group, reported pre-tax profits up from £310,000 to £766,000 for the year to end-March. Rental income was £3.23m (£1.9m) and the property investment portfolio now stands at over £100m. Tax took £254,000 (£16,000 credit) and earnings per share were 1.6p (1.03p). The proposed dividend is 1p.

Heiton growing

Growth continued last year at Heiton Holdings, Irish steel stockholder, builders provider, and timber and fuel merchant.

In the year ended April 30 1988 it lifted pre-tax profit from I£871,000 to I£1.25m, on turnover of £31.55m (£28.95m).

Earnings were 5.7p (2.78p) and the dividend is raised to 1p (0.5p).

Kingsgrange loss warning

By Ray Bashford

KINGSGRANGE, toiletries manufacturer which was floated on the main market in July last year, has issued a second warning about a "serious" loss in the second half of the year which could lead to a reorganisation of the group.

Mr Ian Aldred, chairman, said that current year pre-tax profits would not exceed £165,000, compared with the flotation forecast of £1.6m.

In February, when the difficulties became evident, directors said that pre-tax profits for the year to April 30 would be less than the £1.12m achieved in the first half.

However, as the severity of losses on a contract with the US K-Mart group and stock losses in Canada became evident, Mr Aldred said he felt obliged to keep shareholders informed.

A management buy-out was an option being considered and preliminary discussions had also been held with potential partners to exploit "the full potential of the company and its brand names".

Mr Aldred added that the expected profit was "unacceptable" and that "overwhelming efforts" were being made to restore profits growth.

Adscene doubles

The Adscene Group more than doubled pre-tax profits from £952,000 to £1.9m in the year ended May 28 1988. Turnover was £13.3m (£9.41m) and after tax of £687,000 (£347,000), earnings per 5p share were 9p (5p). A final dividend of 2.8p, making 4.3p, is recommended.

Cash offer extended for Irish Distillers

Allied Lyons and Grand Metropolitan have extended by three weeks their I£3.15 (£2.7) cash offer for Irish Distillers.

On Monday acceptances had been received in respect of 20.21 per cent of Irish Distillers - some 12.8m shares - which included a 20.02 per stake held by FII Fyffes.

Despite speculation on the Dublin stock exchange, there has been no sign that GC & C Brands, the vehicle through which Allied and GrandMet are mounting their hostile bid, will raise its terms.

Trevian up 63%

Trevian Holdings, USM-quoted property developer trader and consultant, reported pre-tax profits up 63 per cent from £636,000 to £1.04m for the year to April 5.

Rental income fell to £365,000 (£399,000) but net profits from sale of property developments were sharply up at £1.13m (£211,000).

Meldrum assets up

Meldrum Investment Trust reported net asset value of 155.5p at June 30, against 196.7p a year earlier and 143.1p at the end of 1987. Net revenue for the six months to June was £902,000, against £739,000, with earnings per share of 2.24p (1.83p). The interim dividend is raised from 1.2p to 1.4p.

Tax took £334,000 (£339,000).

OCE UK ahead

In the six months ended May 31 1988 OCE (UK) raised its profit from £2.17m to £2.8m, from turnover of £33m (£29.6m).

The company is engaged in the reprographic industry, and is wholly-owned by Oce-van der Grinten of The Netherlands.

Leslie Wise 54% ahead

By Alice Rawsthorn

LESLIE WISE Group, the textiles concern which reversed into the ailing Ladies Pride clothing company last year, yesterday announced a 54 per cent increase in first half pre-tax profits to £1.6m.

All the profits came from the original Leslie Wise business, which specialises in fabric converting and merchanting. Ladies Pride, still in the throes of restructuring, broke even. Leslie Wise also provided the bulk – about £10m – of the group's turnover, which rose to £13.6m (£9.2m).

Earnings moved ahead to 3.75p (2.41p) in the six months to May 31. The interim dividend is 1.25p (0.5p).

Since reversing into Ladies Pride, the LW management team has engaged in stringent cost cutting. Two factories and a warehouse have been closed and the Ladies Pride workforce reduced from 600 to under 450 people. Cost of redundancies is expressed as an extraordinary £125,000 (£29,000). Mr Neil Wise, group chief executive, said profits from sales of the factories and warehouse would offset that.

The garment manufacturing and retailing businesses made a "modest contribution" but the knitted fabric and transfer paper printing companies produced "poor performances". Their future was under review.

The LW converting companies fared well and future expansion would be concentrated there and on Jeamland, the fashion wholesaler acquired last month. LW has decided not to proceed with the proposed expansion of the Ladies Pride finishing plant in Leicester.

UK COMPANY NEWS

CASE shuns final Gandalf offer

By Philip Coggan

Gandalf Technologies, Canadian data communications group, yesterday made an increased and final £70m offer for CASE but was once again rejected by the UK computer systems company.

The offer, in cash and shares, values each CASE share at 109p but although CASE's share price jumped 8p yesterday, it stayed resolutely below the offer level at 95p.

"There is very little enthusiasm for the bid because of the substantial paper element" said Mr David Gibbons, an electronics analyst at James Capel.

The terms of the new offer comprise 540p cash and one Gandalf share for every nine CASE shares. Although the offer allows shareholders to "mix and match", by choosing to take all of their consideration in cash (to the value of 100p) or shares (to the value of 121p), such options will only be allowed to the extent that there are compensating elections.

Gandalf first made an approach to CASE in January and then launched a bid in May, after building up a 9.5 per cent stake. CASE has consistently rebuffed the bid, claiming it makes neither financial or technological sense.

After an ill-starred acquisition in the US, CASE suffered substantial losses in 1985-86 and 1986-87. Although the company returned to the black last year – pre-tax profits amounted to £2.2m – it has not made a profits forecast and Mr Gibbons said yesterday that "we have little confidence in expectations of rapid profits recovery at CASE."

Gandalf said yesterday that the increase in the offer would mean that the combined company would have gearing of over 100 per cent. According to Mr Gibbons: "The bid appears to be a stand-off between a weak company on the one hand and a predator with insufficient firepower on the other."

Unwelcome message for data group

Alan Cane assesses the technological factors of the Canadian offer

CASE GROUP and Gandalf Technologies, are to some extent victims of their own success. They are practitioners of a Black Art – data communications – which they understand but which the uninitiated find as simple as advanced calculus.

As a result of this complexity, technology may not figure highly in the thinking of CASE shareholders considering the increased takeover bid from the Canadian group. They are more likely to decide whether to accept Gandalf's £70m offer on their estimates of the quality of each company's management and the financial terms.

CASE tried to grasp this particular nettle more than a decade ago when it published and distributed free a pocket guide to data communications; so far, it has shifted almost 1m, an innovation copied by virtually every data communications supplier of note.

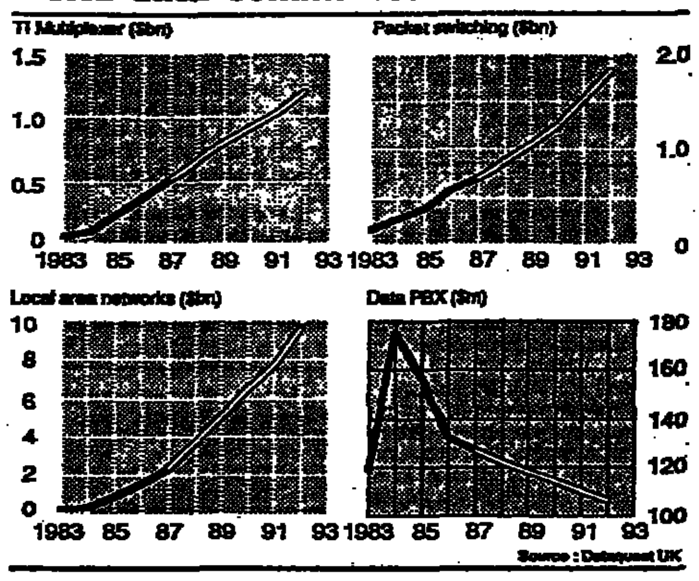
Over that ten years, there has been a revolution in computing system technology resulting in a move from stand-alone mainframe computers housed in data centres to networks of smaller computers dispersed through organisations and communicating with each over telephone lines.

Computers are poor conversationalists where ordinary telephone networks are concerned; it is the devices designed and manufactured by companies like CASE and Gandalf and their competitors like Micom, Racal and Paradyne which make it possible for them to talk at all. Data communications is now central to development in corporate data processing.

The list of essential devices includes:

- Modems (modulator-demodulator), which translate the binary digits of computer speech into a sound signal which can be transmitted effectively over a voice-grade telephone circuit.
- Multiplexers, which gather together a number of simultaneous computer transmissions and interweave them so they can be sent down a single, high speed telephone line, therefore making the best use of an expensive utility.
- Data switches, which operate in an analogous manner to telephone switching systems, arranging for calls to be set up between pairs of computers.
- Packet switches, which make possible the most advanced form of data communications where information is transmitted as discreet units each with an electronic envelope and address.

World data communications markets



Source: Dataquest UK

The quality of the products offered by both companies is not in question. Dataquest, the US-based marketing consultancy, says that Gandalf is a world leader in data switches, now a declining market, and CASE the European leader in statistical multiplexers, a sophisticated kind of multiplexer which squeezes even more performance out of a limited number of telephone lines. Its largest network, for Citibank, connects 35,000 terminals and 100 computers in 75 countries.

But the data communications world is changing dramatically both in terms of technology and competition, raising questions about both companies' strategies.

The question now is who is best prepared for open systems, where any piece of computer equipment can be easily connected to another, the growth of high-speed voice and data networking equipment (T1 multiplexers), telephone circuits which use digital communications (computer language) from end to end, and packet switching.

A key point in CASE's defence has been that it is already active in these growing markets while Gandalf needs CASE's technology to gain access to them.

Experts argue, however, that companies like Gandalf and CASE have only three realistic options for growth and survival.

First, they can become a commodity manufacturer *par excellence* turning out products in high volume and at low cost and distributing them widely through efficient distribution channels. Neither company is well suited to this option.

Second, they can survive through continued innovation – but that, they warn, is getting harder each year. CASE has a creditable record here. Its DCX range of data concentrating exchanges, launched in 1979, combined for the first time data switching with statistical multiplexing.

It was one of the first companies to apply artificial intelligence to network management, and is still spending relatively more (11 per cent of turnover) on research and development than Gandalf, yet its most recent offerings, are state-of-the-art rather than breakthroughs, a reflection of an industry maturing and placing more emphasis on standards.

Gandalf's flagship networking product, Starmaster, seems to be based on a technology at least ten years old and which cannot be modified to fit into the most modern packet-switched networks. It seems to be an ingenious method of using data-switching technology to compete with the most modern approach, the local area network.

Third, they can become systems integrators, using their skills and experience in data networking to put together packages of computer hardware and software.

CASE seems to be moving down this route. Mr James Warhurst, an analyst with Henry Cooke, Lumsden, noted this week: "The increasing complexity of organisations' voice/data needs has led CASE to form a specialist business unit to service the design, systems integration and facilities management of such requirements. This new emphasis should ensure CASE continues to participate in major systems contracts."

The hard conclusion is that it is going to become increasingly difficult for medium-sized data communications companies to stand alone.

Timeplex, a leader in the field, has been absorbed by Unisys, a leading US computer manufacturer, Networking Equipment Technologies has a close arrangement with IBM which analysts believe could develop further. Network Switching Systems has been acquired by the computing services company Bolt, Beranek, Newman.

CASE may, sooner or later, need to bolster its position in partnership with another company. On the technological evidence, there is no reason to suppose that Gandalf is necessarily the best choice.

Oil duo move into Monument

By Nikki Tait

SHARES IN penny stock Monument Oil & Gas gained 1¾p to 15¼p yesterday on news that Nimex Reserves, a recently-formed private oil and gas company, is injecting certain European interests and taking a stake of about 40 per cent.

Nimex was formed last year by Mr Tony Craven Walker, ex-managing director of Charterhouse Petroleum. Mr Craven Walker left after the takeover by Petrofina in 1986 and set up his own private company.

Nimex has three major external shareholders – Groupe Bruxelles Lambert (via its Grands Lacs - Cometra SA subsidiary), Compagnie Financière de Paribas (via two subsidiaries) and Electra Investment Trust.

Also on the Nimex board is Mr John Heaney, former chief executive of Saxon Oil – which was taken over by Enterprise Oil in mid-1985. The planned merger of Saxon and Charterhouse was scuppered by Enterprise's intervention.

Under the deal with Monument, Nimex plans to acquire the 29.34 per cent stake held by the Geneva-based private bank, Lombard Odier, at 12p a share. These shares, bought from the Kuwait Investment Office, were "frozen" by the High Court in May at Monument's request because Lombard Odier refused to disclose the ultimate beneficial owners. The Nimex deal is conditional on the courts agreeing to unfreeze the shares.

The assets of Nimex UK will also be sold to Monument in return for 8m new shares. As this takes Nimex beyond the 29.9 per cent level, the company will make a full offer for Monument, at the same 12p a share level. This values the USM-quoted company at £5.3m. Mr Craven Walker and Mr Heaney will become non-executive directors of Monument, and plan to play an active role on the acquisitions front.

Monument was formed from the oil and gas interests of Minster Assets and floated in 1984. Its main activities are on the UK Continental Shelf. The Nimex UK assets which it is acquiring include interests in licences in the East Midlands, Cheshire, Norfolk and in Turkey. In the nine months to end-December, Nimex UK lost £243,000 before tax, while the book value of assets at the year-end was £226,000.

Aim hits record £3.6m

By Jean Marshall

AIM GROUP has continued its upward path with reported pre-tax profits a record £3.61m for the year to April 30, a 53 per cent increase on the previous £2.36m.

The Southampton-based company, best known for its aircraft cabin interiors and equipment, improved turnover by 38 per cent to £34.94m (£25.32m).

Mr Jeff Smith, chairman, said he was confident the spread of activities would continue to provide real profits growth.

A final dividend of 5.3p (4.1p) is proposed for a total ahead by 25 per cent to 7.5p (6p). Earnings per share showed a 62 per cent rise from 14p to 22.7p.

The group's aviation and general engineering division again made the greatest contribution to profits with £2.33m (£1.34m).

Contracting, the division which designs and installs air conditioning, contributed an increased £391,000 (£311,000). Property advanced from £547,000 to £782,000. That division has been expanded

On the reverse side the group's oven manufacturing division reported a lower £102,000 (£163,000) for the year due to a production problem with one of its subcontractors.

The tax charge rose to £1.22m (£888,000).

Jack Israel tops £1.5m

Profits from the Jack L. Israel Group topped the £1.5m mark in the year ended March 31 1988, showing a 47 per cent advance over the previous year's £1.02m.

Earnings per 4p share worked through at 1.17p (1.1p) and the dividend is 0.6p (0.5p). In addition there was an extraordinary credit of £5.92m, being proceeds of the sale of Longfield Trading to Nestle.

The group is a USM importer and distributor of canned fruit and vegetables. Following the acquisition of John Martin Foods it broadened the product base to nuts, dried fruit and canned fish.

Turnover rose £30m to £68.75m, reflecting a strong performance from the core business and satisfactory margins.

UK COMPANY NEWS

Newman Tonks acquires J Legge for £19.2m

By Richard Tomkins, Midlands Correspondent

NEWMAN TONKS, the Birmingham-based door and architectural supplies group, has snapped up Britain's biggest remaining independent lock maker with the acquisition of J. Legge & Co for £19.2m.

The move comes amid a wave of mergers and takeovers in the lock industry and coincides with a bout of intense bid speculation centring on Yale and Valor, itself a product of the takeover of a lock manufacturer by a home appliance group.

Mr Doug Rogers, Newman Tonks's chief executive, said Legge was many times the size of the group's existing lock-making subsidiary, Erebus, and would fill a significant gap in the group's range of hardware.

A conjunction of Legge with the Cartwright door furniture subsidiary and Smith Wallis's windows would deepen the group's penetration into the residential market, he said.

The consideration is 17.97m new convertible redeemable preference shares and £1.2m in cash. The preference shares, carrying a dividend of 6.75p, may be converted in stages from 1990 to 1997 and will eventually result in the issue of 8.98m ordinary shares.

The current wave of restructuring in the lock industry results primarily from the incorporation of traditional lockmaking skills into more complex access control and security packages, often involving sophisticated electronics.

Mr Tony Legge, who will remain managing director of the Willenhall, West Midlands based lock company, said the family had decided to sell because of problems of succession and because they felt their company should be part of a larger group in readiness for the single European market of 1992.

Newman Tonks's Mr Rogers said the price for the company was fair. The competition for Legge had been tough, he said.

Granada in £16.5m bingo clubs buy

By Nikki Tait

GRANADA, the TV, leisure and business services group, yesterday stepped up its involvement in the UK bingo business with a £16.5m purchase of 15 clubs, mainly in the Midlands and north of England.

This takes Granada's total chain to 64, which ranks it fourth in size after Bass – which has more than 100 clubs following the acquisition of Zetters Leisure – Rank Organisation and Mecca Leisure.

The 15 clubs acquired, which operate under the Essoldo name, were previously owned by a private individual. Granada is paying for the business through a vendor placing of 5.63m ordinary shares. Yesterday, Granada shares eased 4p to 301p.

In the year to March, Granada says that Essoldo made pre-tax profits of about £1m. Net assets are put at £12.5m on completion, including about £2.5m in cash. The clubs are fairly well spread, ranging from Darlington to Bolton and down to Bromsgrove. Granada says 10 outlets will become "key core clubs," but it plans to look closely at the other five, before deciding whether these will form a long-term part of the group.

The company recently reported relatively buoyant business for its bingo operations. The average spend is rising at a rate in excess of inflation, and admissions by between 1 and 1.5 per cent, with some signs of a younger clientele. The improvement, which has been shared by other operators in the industry, is due partly to a delayed response to the National Game, and partly to refurbishment of outlets.

Rank boosts video duplication

BY DAVID COHEN

Rank Organisation, the leisure and entertainments group, is to boost its share of the US video duplication market by acquiring the assets of Lieberman Enterprises subsidiary, Video Technology Services, for $23m (£13.8m) in cash.

Rank is already the largest video duplicator in Europe and the latest move - coming only three months after its $90m incursion into the US market - increases its US market share to 37 per cent.

VTS is based in Los Angeles and enjoys long-term video duplication contracts with Universal Studios and Carolco, producer of the Rambo and Arnold Schwarzenegger films.

Widney advances by 76%

Widney, Birmingham-based general engineeer, lifted taxable profits by 76 per cent to £319,000 in the six months to March 31.

Sales improved from £4.12m to £8.43m, and after a nil tax charge, earnings per 4p share rose to 2.2p (1.7p). The interim dividend is lifted to 0.5p (0.4p).

APPOINTMENTS

Conder Group development director

Mr Nevil Coulson has been appointed group development director of CONDER GROUP. He succeeds Mr Michael Pelham who was appointed group managing director earlier this year.

★

BRITANNIA GROUP has appointed Mr Roger Bentley as managing director of Britannia (Cheltenham). He succeeds Mr John Rickards, who remains group managing director, and a director of other companies in the group.

★

Mr Clive Warburton, formerly senior compliance officer at the Investment Management Regulatory Organisation has joined the MI GROUP as group compliance officer.

★

EMBASSY HOTELS has appointed Mr Keith Berry as development director. He was development manager.

★

Dr Brian Ridgewell, chairman of Dussek Campbell, has been elected to chair the EUROPEAN WAX FEDERATION for the next two years.

★

Mr Tim Cope has been appointed manufacturing divisional director of JOSEPH ASH STORAGE TANKS, an Ash & Lacy company, succeeding Mr Stan Darby who has retired.

POWERSURE PRODUCTS, Dundee, has signed a trading agreement with Standard Radio & Telefon (SRT), Stockholm. Mr Mark Leckstein has been appointed a director of the SRT holding company, and remains chairman of Powersure. Mr Leif Lundquist of SRT has joined the board of Powersure. Mr John Donaldson becomes managing director of Powersure. He was sales director.

★

PRUDENTIAL-BACHE SECURITIES (UK) has appointed Mr Paul L. Thursby as product manager co-ordinator for Asia in the international fixed income department. He will be based in Tokyo. He was with United Bank of Kuwait as manager of portfolio and investments.

★

STANDARD PROPERTY INVESTMENTS, Edinburgh, has appointed Mr Alan Park as managing director. He was chief executive of Northern Bank (Ireland) in Dublin. Mr David Young has been appointed managing director of the newly-formed subsidiary Standard Property Mortgage Services, and Mr John Nicol joins the board of that company.

★

FREMONT INSURANCE COMPANY (UK) has appointed Mr Stephen D.L. Perry as deputy underwriter.

★

THE NATIONAL BANK OF GREECE has appointed Mr John H. North as financial controller in London.

★

HIR (UK) has appointed Mr Louis Pereira, deputy underwriter, as underwriter from August 1. Mr K.W. Musgrave, underwriting manager, leaves the company on July 31.

★

THE JOHN E. WILSHIER GROUP has appointed Mr Philip Ingham as director of group marketing. He was with R.M. Douglas Construction.

★

Mr Ian Tripcony has been appointed deputy managing director of WELBECK.

★

Mr David W. Briggs, commercial planning manager, has been promoted to general manager of the European trade by ASSOCIATED CONTAINER TRANSPORTATION (AUSTRALIA) from September 1. He succeeds Mr John Mather, who is returning to Sydney as general manager - trades and development.

★

Mr Tom Heinersdorff, until recently marketing director of Citibank, Italy, has been appointed sales and marketing director for DINERS CLUB, UK.

COMPANY NEWS IN BRIEF

ADDISON CONSULTANCY is forming Troy Graphics to provide computerised typesetting services in New York. It follows the purchase of two businesses there for an initial $175,000 (£103,000); further payments totalling $945,000 could be made.

ALBERT FISHER Group has completed the acquisition of Charteris Food Sales for an initial £4.8m in cash and shares and possible further deferred consideration of up to £2.75m dependent on profits.

BRAITHWAITE GROUP has sold the property acquired with the SPP acquisition for £7.75m. Contracts for the sales were declared unconditional following the receipt of satisfactory planning permission. The proceeds will substantially reduce borrowings.

DWYER has agreed to pay the aggregate of £7.35m in cash and 2m shares for a portfolio of 10 properties, valued at £11.58m. Net asset value will rise to around £19.7m. The vendor, Mountjay, intends to hold the shares as a long term investment.

HAWKER SIDDELEY is selling Petter Refrigeration for some £7m in furtherance of its divestment policy. Petter makes road transport refrigeration equipment.

INVESTMENT CAPITAL Trust is paying a third quarterly dividend of 3.8p (3.2p), indicating a dividend for the year to September 30 1988 of not less than 14.6p per ordinary share.

JERSEY GENERAL Investment Trust: The offers for the ordinary and preference shares from LIT Holdings have closed with formula asset value, consideration payable under ordinary offer, calculated at 555.5p per share. Acceptances were received for 96.6 per cent of the ordinaries and 95.48 per cent of the prefs.

NO PROBES: The following deals will not be referred to the Monopolies Commission – Caradon acquisition of Home Insulation; Dobson Park Industries of mining equipment division of MS International; Wagon Industrial of Banro Industries; and Campbell Investments (UK) of Freshbake Foods.

ALEXANDER PROUDFOOT is buying outstanding 51 per cent of its Canadian company, making it wholly-owned. Consideration is US$5.6m cash.

WCRS GROUP has acquired Thomas L Richmond, New York public relations company which earned a fee income of $1.8m in 1987.

WELBECK, steel servicing group, is investigating the possibility of a public flotation.

Anglovaal Group

Mining companies' reports – Quarter ended 30 June 1988

All companies mentioned are incorporated in the Republic of South Africa.
All financial figures for the quarter and progressive figures for the current year to date are unaudited.
Rate of exchange on 30 June 1988: R1,00 = £0,25, £1,00 = R4,02.
Development results given are the actual sampling results. No allowance has been made for adjustments necessary in the valuation of the corresponding ore reserves.
Shareholders requiring copies of these reports regularly each quarter, should write to the Secretaries, Anglo-Transvaal Trustees Limited, 295 Regent Street, London W1R 8ST.

Hartebeestfontein Gold Mining Co Ltd

Reg. No. 05/33925/06
Issued capital: 112 000 000 shares of 10 cents each

	Quarter ended 30 June 1988	Quarter ended 31 Mar. 1988	Financial year ended 30 June 1988
Operating results			
Gold			
Ore milled ... t	802 000	778 000	3 194 000
Gold recovered ... kg	7 509	7 476	30 778
Yield ... g/t	9,4	9,6	9,6
Revenue ... R/t milled	301,56	298,33	298,58
Costs ... R/t milled	137,22	133,47	128,68
Profit ... R/t milled	164,34	164,86	169,90
Revenue ... R/kg	32 208	31 048	30 985
Costs ... R/kg	14 656	13 890	13 354
Profit ... R/kg	17 552	17 156	17 631
Revenue ... R000	241 853	232 101	953 661
Costs ... R000	110 053	103 838	411 007
Profit ... R000	131 800	128 263	542 654
Low-grade gold plant			
Ore milled ... t	367 000	340 000	865 400
Gold recovered ... kg	544	564	1 206
Yield ... g/t	1,48	1,66	1,39
Revenue ... R/t milled	49,11	49,05	43,52
Costs ... R/t milled	14,29	11,14	12,81
Profit ... R/t milled	34,82	37,92	30,71
Revenue ... R/kg	33 132	29 576	31 231
Costs ... R/kg	9 638	6 718	9 196
Profit ... R/kg	23 494	22 858	22 035
Revenue ... R000	18 024	16 681	37 664
Costs ... R000	5 243	3 789	11 090
Profit ... R000	12 781	12 892	26 574
Uranium oxide			
Pulp treated ... t	802 000	778 000	3 194 000
Oxide produced ... kg	91 858	96 284	388 952
Yield ... kg/t	0,11	0,12	0,12
Financial results	R000	R000	R000
Working profit – gold mining	144 581	141 155	569 228
(Loss)/profit from sales of uranium oxide, pyrite and sulphuric acid	(1 886)	6 672	13 518
Non-mining income	10 093	8 946	32 516
Net royalty receipts	429	476	2 089
	153 217	157 249	617 351
Other expenses – Interest paid, currency adjustments, stores adjustment and employee service benefits	7 908	649	9 894
Profit before taxation and State's share of profit	145 309	156 600	607 457
Taxation and State's share of profit	92 333	94 488	372 782
Profit after taxation and State's share of profit	52 976	62 112	234 675
Capital expenditure	12 205	11 823	56 919
Appropriation for loan repayments	136	176	624
Dividends	101 360	–	171 360
	113 701	11 999	228 903
Development			
Advanced ... m	9 686	9 891	39 609
Sampling results on Vaal Reef:			
Sampled ... m	1 048	1 054	3 904
Channel width ... cm	64	69	60
Channel value – gold ... g/t	19,9	19,5	22,2
... cm.g/t	1 279	1 353	1 332
– uranium oxide ... kg/t	0,29	0,30	0,31
... cm.kg/t	18,64	20,64	18,42

Ore reserve
The total ore reserve at 30 June 1988 based on a gold price of R33 700 per kilogram, is estimated as follows:

Tonnage ... t	15 330 000
Stoping width ... cm	117
Value – gold ... g/t	12,4
... cm.g/t	1 450
– uranium oxide ... kg/t	0,22
... cm.kg/t	25,3

Financial
In terms of the Company's articles of association, the directors' borrowing powers are limited to R50 000 000. At 30 June 1988 borrowings totalled R8 139 000 (1987 : R8 795 000) of which long-term borrowings amounted to R7 550 000 (1987 : R8 174 000) and short-term to R589 000 (1987 : R621 000).

The increase in other expenses arises mainly from the re-allocation of certain interest payments and currency adjustments which were debited to capital expenditure in previous years. Capital expenditure for the quarter has been credited accordingly. Earnings for previous years and for this year are not affected by this re-allocation.

Hedging transactions
The Company has entered into certain option contracts so as to enhance gold revenue should the gold price remain below $470 per ounce during the forthcoming quarter:

Quarter ending	Put options purchased	Call and put options sold
30 September 1988	–	8 087 kg (260 000 oz.)

In addition the Company has priced portions of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Estimated average realisable value per kg sold
30 September 1988	4 697	R32 728
31 December 1988	3 732	R34 160

Where the dollar proceeds from the above sales have not been covered by forward exchange contracts, the estimated realisable value has been calculated at the R/$ exchange rate ruling on 30 June 1988.

Dividend
Final dividend No. 65 of 90.5 cents per share was declared in June 1988, making a total of 153 cents per share for the financial year.

Capital expenditure
Outstanding commitments at 30 June 1988 are estimated at R11 389 000 (31 March 1988 : R16 271 000).

For and on behalf of the board
B. E. Hersov
D. J. Crowe
Directors

Directors: B. E. Hersov D.M.S., (Chairman), B. L. Bernstein Hon. LL.D, D. J. Crowe, J. J. Geldenhuys, E. P. Gush, G. S. Lee, Clive S. Menell, T. L. Pretorius, J. C. Janse van Rensburg

Alternate directors: J. H. J. Burke, P. J. Eustace, K. M. Hosking, T. C. Rees, G. J. Robbertze, J. E. van Niekerk, R. A. D. Wilson

20 July 1988

Prieska Copper Mines Ltd

Reg. No. 58/03032/06
Issued capital: 54 000 000 shares of 50 cents each

	Quarter ended 30 June 1988	Quarter ended 31 Mar. 1988	Financial year ended 30 June 1988
Operating results			
Ore milled ... t	364 000	510 000	2 145 000
Concentrates produced			
Copper ... t	6 375	12 965	49 030
Zinc ... t	10 436	17 878	74 532
Concentrates despatched			
Copper ... t	5 117	15 348	45 212
Zinc ... t	8 207	20 634	77 123
Financial results	R000	R000	R000
Operating (loss)/profit	(7 411)	14 791	16 400
Non-mining income	1 279	873	3 298
(Loss)/profit before taxation	(6 132)	15 664	19 698
Taxation	(1 479)	9 743	14 684
(Loss)/profit after taxation	(4 653)	5 921	5 014
Capital expenditure/(recoupments)	(58)	(79)	(160)
Dividend	–	–	4 320
	(58)	(79)	4 160

Prieska Copper Mines Limited – Continued

	Quarter ended 30 June 1988	Quarter ended 31 Mar. 1988	Financial year ended 30 June 1988
Development			
Advanced ... m	800	695	3 406

Financial
Despatches, which vary from quarter to quarter, are brought to account at their estimated receivable value. Operating profit takes into account adjustments following final price determinations on despatches made during previous quarters.
The operating loss for the quarter includes a further provision of R5 950 000 towards the anticipated costs which will be incurred to comply with statutory and other obligations associated with the eventual closure of the mine. The total amount provided to 30 June 1988 is R9 360 000 (1987: R456 000).

Mining operations
Milled throughout for the quarter reduced due to the decreased quantity of ore available as reserves become depleted. Mining operations at the reduced milling rate of approximately 110 000 tons per month will continue during 1988/1989 for as long as such operations remain profitable. On current forecasts, underground production will cease prior to 30 June 1989.

Capital expenditure
There were no outstanding commitments at 30 June 1988 (31 March 1988: nil).

For and on behalf of the board
D.J. Crowe
R.A.D. Wilson
Directors

Directors: D.J. Crowe (Chairman), R.P. Fitton, C.C. Gadson, B.E. Hersov D.M.S., D.A. Lynch, Clive S Menell, D.J. Pedneault, R.A.D. Wilson

Alternate directors: D.A. Blaine, A.J. Bonk, J.J. Geldenhuys, G.J. Robbertze

20 July 1988

Eastern Transvaal Consolidated Mines, Ltd

Reg. No. 01/05442/06
Issued capital: 4 316 678 shares of 50 cents each

	Quarter ended 30 June 1988	Quarter ended 31 Mar. 1988	Financial year ended 30 June 1988
Operating results			
Ore milled ... t	80 220	91 000	345 420
Gold recovered ... kg	835	919	3 535
Yield ... g/t	10,4	10.1	10,2
Revenue ... R/t milled	341,95	309,09	318,77
Costs ... R/t milled	144,85	123,48	128,81
Profit ... R/t milled	197,10	185,60	189,96
Revenue ... R/kg	32 851	30 605	31 148
Costs ... R/kg	13 916	12 227	12 587
Profit ... R/kg	18 935	18 378	18 561
Revenue ... R000	27 431	28 126	110 109
Costs ... R000	11 620	11 237	44 494
Profit ... R000	15 811	16 889	65 615
Financial results	R000	R000	R000
Working profit – gold mining	15 811	16 889	65 615
Non-mining income	807	624	2 594
	16 618	17 513	68 209
Prospecting expenditure	1 563	1 078	3 983
Stores realisation adjustment	(47)	–	(47)
Profit before taxation	15 102	16 435	64 273
Taxation	3 222	5 055	14 751
Profit after taxation	11 880	11 380	49 522
Capital expenditure	7 764	7 534	35 674
Dividends	7 986	–	13 382
	15 750	7 534	49 056
Development			
Advanced ... m	1 782	1 635	7 240
Sampling results:			
Sampled ... m	866	1 052	3 335
Channel width ... cm	212	166	178
Channel value ... g/t	2,6	5.6	5.7
... cm.g/t	556	921	1 019

Ore reserve
The total ore reserves at all mines at 30 June 1988, based on a gold price of R33 700 per kilogram, are estimated as follows:

Tonnage ... t	1 562 000
Stoping width ... cm	190
Value ... g/t	14,9
... cm.g/t	2 824

Hedging transactions
The Company has entered into certain option contracts so as to enhance gold revenue should the gold price remain below $470 per ounce during the forthcoming quarter:

Quarter ending	Put options purchased	Call and put options sold
30 September 1988	–	1 008 kg (32 400 oz)

In addition the Company has priced portions of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Estimated average realisable value per kg sold
30 September 1988	587	R32 728
31 December 1988	504	R34 170

Where the dollar proceeds from the above sales have not been covered by forward exchange contracts, the estimated realisable value has been calculated at the R/$ exchange rate ruling on 30 June 1988.

Dividend
Final dividend No. 76 of 185 cents per share was declared in June 1988, making a total of 310 cents per share for the financial year.

Capital expenditure
Outstanding commitments at 30 June 1988 are estimated at R4 816 000 (31 March 1988: R6 848 000).

For and on behalf of the board
R.A.D. Wilson
D.J. Crowe
Directors

Directors: R.A.D. Wilson (Chairman), D.J. Crowe, J.J. Geldenhuys, B.E. Hersov D.M.S., Clive S. Menell, G.J. Robbertze, J.E. van Niekerk

Alternate director: B.J. Funston

20 July 1988

Loraine Gold Mines, Ltd

Reg. No. 05/39138/06
Issued capital: 16 368 986 shares of R1,00 each

	Quarter ended 30 June 1988	Quarter ended 31 Mar. 1988	Nine months ended 30 June 1988
Operating results			
Ore milled ... t	386 000	351 000	1 119 000
Gold recovered ... kg	2 177	1 990	6 174
Yield ... g/t	5,6	5,7	5,5
Revenue ... R/t milled	185,62	173,52	173,15
Costs ... R/t milled	150,11	155,74	150,10
Profit ... R/t milled	35,51	17,78	23,05
Revenue ... R/kg	32 912	30 605	31 383
Costs ... R/kg	26 616	27 469	27 204
Profit ... R/kg	6 296	3 136	4 179
Revenue ... R000	71 651	60 904	193 758
Costs ... R000	57 944	54 664	167 959
Profit ... R000	13 707	6 240	25 799

Loraine Gold Mines, Limited – Continued

	Quarter ended 30 June 1988	Quarter ended 31 Mar. 1988	Nine months ended 30 June 1988
Financial results	R000	R000	R000
Working profit – gold mining	13 707	6 240	25 799
(Loss)/profit from sales of uranium oxide and pyrite	(247)	140	105
Non-mining income	2 153	1 638	5 457
	15 613	8 018	31 361
Interest paid	205	205	618
Profit before taxation and State's share of profit	15 408	7 813	30 743
Taxation and State's share of profit	1 323	1 314	3 545
Profit after taxation and State's share of profit	14 085	6 499	27 198
Capital expenditure	8 802	3 737	18 281
Appropriation for loan repayments and adjustments for currency fluctuations	31	30	90
Unlisted investment	65	–	65
	8 898	3 767	18 436
Development			
Advanced ... m	9 563	9 166	28 401
Sampling results:			
Kimberley reefs			
Sampled ... m	434	134	644
Channel width ... cm	84	106	90
Channel value ... g/t	8,9	3,6	7,3
... cm.g/t	748	375	659
Basal reef			
Sampled ... m	550	724	2 080
Channel width ... cm	8	8	8
Channel value ... g/t	113,8	83,1	83,7
... cm.g/t	910	690	695
Eldorado reefs			
Sampled ... m	870	674	2 398
Channel width ... cm	101	95	99
Channel value ... g/t	8,9	9,5	8,3
... cm.g/t	898	904	822
Total – all reefs			
Sampled ... m	1 854	1 532	5 132
Channel width ... cm	69	55	61
Channel value ... g/t	12,5	13,8	12,3
... cm.g/t	868	757	750

Financial
In terms of the Company's articles of association, the directors' borrowing powers are limited to R35 000 000. At 30 June 1988 borrowings totalled R5 847 000 (1987: R5 911 000) of which long-term borrowings amounted to R5 760 000 (1987: R5 816 000) and short-term to R87 000 (1987: R95 000).

Hedging transactions
The Company has entered into certain option contracts so as to enhance gold revenue should the gold price remain below $470 per ounce during the forthcoming quarter:

Quarter ending	Put options purchased	Call and put options sold
30 September 1988	–	1 512 kg (48 600 oz)

In addition the Company has priced portions of its future gold production as detailed below:

Quarter ending	Kg of gold sold	Estimated average realisable value per kg sold
30 September 1988	1 174	R32 728
31 December 1988	756	R34 356

Where the dollar proceeds from the above sales have not been covered by forward exchange contracts, the estimated realisable value has been calculated at the R/$ exchange rate ruling on 30 June 1988.

Capital expenditure
Outstanding commitments at 30 June 1988 are estimated at R5 677 000 (31 March 1988: R6 346 000).

For and on behalf of the board
D.J. Crowe
R.A.D. Wilson
Directors

Directors: D.J. Crowe (Chairman), J.J. Geldenhuys, B.E. Hersov D.M.S., L. Hewitt, K.M. Hosking, G.C. Krafft, G. Maude, Clive S. Menell, S.W. van der Colf, R.A.D. Wilson

Alternate directors: J.H.J. Burke, P.J. Eustace, B.J. Funston, T.C. Rees, G.J. Robbertze, K.A. West, J.E. van Niekerk

20 July 1988

Consolidated Murchison Ltd

Reg. No. 05/05478/06
Issued capital: 6 240 000 shares of 10 cents each

	Quarter ended 30 June 1988 R000	Quarter ended 31 Mar. 1988 R000	Financial year ended 30 June 1988 R000
Financial results			
Antimony revenue net of realisation charges	5 462	5 077	21 893
Gold revenue	6 554	4 258	20 382
Sundry mining income	22	34	139
	12 038	9 369	42 414
Cost of sales	10 464	9 968	39 682
Working profit/(loss)	1 574	(599)	2 732
Net non-mining income	890	872	3 653
	2 464	273	6 385
Prospecting expenditure	391	348	1 337
Profit/(loss) before taxation	2 073	(75)	5 048
Taxation	410	560	1 236
Profit/(loss) after taxation	1 663	(635)	3 812
Capital expenditure	3 205	2 474	9 716
Dividends	–	–	1 872
	3 205	2 474	11 588

Financial
The combined effect of a marginal increase in sales volume over the previous quarter and a weaker Rand caused the increase in antimony revenue. Gold production returned to normal levels following the disruption in the previous quarter by excessive rainfall. This factor, combined with an increased Rand per kilogram realisation, resulted in the significantly improved gold revenue.

Change in accounting policy
The Commissioner for Inland Revenue has requested the Company to comply with the provisions of Section 22 of the Income Tax Act requiring that a valuation be placed on the stocks of antimony concentrate on hand at 30 June 1987. Accordingly, stocks of antimony concentrate at the end of June 1987 and 1988 have been valued at the lower of the average cost of production or net realisable value.
This has had the effect of increasing profits after taxation in 1988 by R1 686 000. The valuation of stocks of antimony concentrate in terms of the new policy resulted in an overall increase in retained income at the beginning of the year of R469 000 (after deducting taxation of R536 000) which will be shown in the income statement by way of a restatement of the results for 1987.
The effect of the new policy on the previously published quarterly results has been to increase the profits after tax for the September and December 1987 quarters by R323 000 and R187 000 respectively and to reduce the loss after tax for the quarter ended March 1988 by R955 000.

Outlook and dividend
The antimony concentrate price remains under pressure due mainly to the increased availability of Chinese material at lower prices. As there is no immediate prospect of market conditions improving and with the Company having incurred a loss after capital expenditure, no final dividend for 1988 in respect of ordinary and "S" ordinary shares has been declared.

Minimum Tax on Companies ("MTC")
It is estimated that the proposed MTC will result in a liability of R435 000, payable by the Company on or before 30 September 1988.

Capital expenditure
Outstanding commitments at 30 June 1988 are estimated at R659 000 (31 March 1988 R1 731 000).

For and on behalf of the board
M. W. Hawarden
R.A.D. Wilson
Directors

Directors: M. W. Hawarden (Chairman), R. A. D. Wilson (Deputy Chairman), W.D. Clough, V.G. Bray, P.J. Cronshaw, D.J. Crowe, B. E. Hersov D.M.S., Clive S. Menell, P. F. Retief

Alternate director: P. W. J. Coenen

20 July 1988

58823

Strike poses fresh threat to Peruvian mine output

By Barbara Durr in Lima

PERU'S NATIONAL Federation of Mine, Metallurgical and Steel Workers claims that 80 per cent of its 60,000 members are now on strike.

The miners' strike began on Monday, one day before a 48-hour national work stoppage to protest at the Government's economic policies.

The general strike, the third since President Alan Garcia came to office in July, 1985, was called by the country's two leading labour federations, the Communist-led General Confederation of Peruvian Workers and the Confederation of Peruvian Workers, led by the ruling party, the American Popular Revolutionary Alliance.

Labour unrest has been steadily rising as inflation, now officially predicted to top 400 per cent in 1988, has bitten hard into real wages.

The miners' strike is a further blow to Peru's mining output. According to industry sources, production has already sunk more than 6 per cent overall during the first five months of this year, because of individual mine strikes and a lack of spare parts cause by the country's severe dollar shortage.

In the first five months of this year, according to statistics from the Ministry of Energy and the Central Bank, copper production, including blister, refined copper and concentrates, dropped to 145.3 tonnes, compared with 170.9 tonnes last year. Zinc production, including refined zinc and concentrates, fell to 207 tonnes, down from 223.3 tonnes in the corresponding period of 1987. At the same time lead production declined to 72 tonnes from 79.2 tonnes.

Mr Reynaldo Gubbins, president of the private sector's National Association of Mining, says the dollar shortage has hit state-owned companies harder than private ones. In the private sector, "you do whatever you have to do to get a spare part. The Government companies cannot go to the black market," Mr Gubbins said.

Some desperate private companies are said to be sending officials abroad with black market dollars to buy spare parts and carry them indirectly, by-passing all normal import procedures.

The largest public sector mining company, Centromin, has been especially hurt by some 35 work stoppages this year. Its copper production, for example, dropped to 11,836 fine tonnes for the first five months of 1988 from 17,960 fine tonnes during the same period last year. Its silver production, from January to May this year fell to 177,119 fine kg from 211,682 kg in 1987; its zinc declined to 92,830 tonnes from 109,373 tonnes last year; and its lead output shrank to 33,060 tonnes from 36,619 tonnes.

One estimate is that Centromin's work stoppages alone have amounted to 700,000 man-hours during January to June. This compares with a loss for all of 1987 of a total of 800,000 man hours.

In addition, Centromin, along with other large state-owned mining operations, such as the Tintaya mine and the refinery of Mineroperu, have been partially paralysed because of lack of spare parts, particularly for their trucking fleets, inputs and equipment replacement.

Nevertheless, with higher minerals prices, Peru's mining earnings for six principal products were up $118.8m for the first four months of this year, compared with the same period last year. According to figures from the Central Bank and the Ministry of Energy on exports of copper, iron, lead, zinc, gold and silver, Peru earned $481.9m from January to May this year, compared with $313.1m last year. But there are some fears that production problems could undermine Peru's plan to reap more minerals export income this year.

Some economic analysts remain optimistic, however. Macroconsult, a top private sector consulting firm, predicted that the Central Bank could end up with a much better cash position at the end of the year if copper and zinc prices continue high.

Ivory Coast sales send cocoa prices lower

By David Blackwell

RECENT SALES of cocoa by the Ivory Coast, the world's biggest producer, have put prices into reverse again.

The second position futures contract on the London Futures and Options Exchange (Fox) closed last night down £23 at £968 a tonne. That compared with the recent peak of £1,038 a tonne on Wednesday last week.

The Ivory Coast adopted a policy of withholding its cocoa from the market following the collapse of the International Cocoa Organisation talks last March.

It believes world prices are far too low, and is only prepared to sell its cocoa at a price of FFr 1,200 per 100 kilograms, equivalent to about £1,150 a tonne.

Ivory Coast cocoa, which is in great demand from confectionery manufacturers because of its high quality, has been fetching a premium of up to £200 a tonne. Its lack of availability has led some buyers to pay the price it was demanding as the futures price rose. About 10 days ago it sold 10,000 tonnes to a UK trading house, and last week a further 25,000 tonnes went to an Eastern bloc buyer. In all the Ivory Coast might have sold about 50,000 tonnes since the beginning of July, traders estimate. But they say it is impossible to confirm all the tonnages.

They believe operators' requirements for Ivory Coast cocoa have been satisfied for the moment, but do not rule out the possibility of further supply tightness developing.

However, the very fact that the Ivory Coast has been selling again has been enough to depress the futures market. The world surplus of cocoa is already enormous, and the Ivory coast is believed to have another 150,000 tonnes in store in Abidjan.

Analysts believe the Ivory Coast action is putting a cap on the market in the same way that the ICCO buffer stock was supposed to. "Their basic position has not changed," said one yesterday. "If the price is right, they will sell."

Consequently, given extremely bearish fundamental factors and a very sensitive market, world prices are likely to see-saw according to how much the Ivory Coast sells.

Meanwhile the ICCO is still trying to sort out the row between producers and consumers over the level of prices to be defended. An advisory panel which met last week has refused to say if it came to any conclusions. It is scheduled to put any recommendations it might have to the full ICCO Council at the next meeting in September.

Rescuing the Philippines' forests

Richard Gourlay on the problem of slash-and-burn farming

Pictures delivered by "Spot", the Swedish-French satellite, the Philippines Government this year confirmed what conservationists have feared for years but policy makers have chosen to ignore.

South East Asia's steamy tropical forests, replete with hanging vines and majestic mahogony trees, are fast becoming cinema fiction. And nowhere is the destruction more noticeable than in the Philippines, where burgeoning population growth is forcing lowland families into slash-and-burn farming on the forest fringes.

Now, with the help of a $122m loan from the Asian Development Bank, and the promise of $50m more from Japan, the Government is trying to reverse a trend which, if continued, could lead to the destruction of all virgin forests within two decades, according to the ADB.

Valuable lessons should also emerge for Thailand, where forests are shrinking almost as fast, and Indonesia, the region's dominant forest product exporter, where slash-and-burn farming is starting to take a toll.

Alone the aid can make only a small dent in the problem, says Mr Patrick Dugan, a USaid consultant, but the Government hopes it can trigger a return of privately-financed contract reforestation.

The $350m-a-year Philippine wood products export industry is dwarfed by Indonesia's $2bn in exports, but forestry experts see in Indonesian forestry faults similar to those that have contributed to the devastation in the Philippines.

Before the 1960s, when the Philippines mushroomed into one of the largest forest product exporters behind the US 15m hectares, more than half the country, was covered by virgin forest. Spot's satellite pictures show that today only 1.2m of virgin forest remain. About 4.5m hectares has been logged but inadequately protected or replanted and more than 7m hectares are totally denuded.

> South East Asia's steamy tropical forests are fast becoming cinema fiction. And nowhere is the destruction more noticeable than in the Philippines.

As a result, each year erosion sweeps away soil equal in volume to one metre sliced off an area the size of London, the Government estimates.

As in nearby Thailand and, to a lesser extent, Indonesia, the main culprits are itinerant slash-and-burn farmers looking for food and firewood. With less land per head than anywhere else in Asia because of the population growth, lowland Filipinos increasingly join the traditional mountain people where their subsistence farming completes the destruction of the ecosytem necessary for forests to regenerate.

According to the United Nations Economic and Social Committee for the Pacific and Asia, these itinerant cultivators nearly doubled to 29m in East Asia in the two decades after 1960. Elsewhere in Asia, particularly in India, over-grazing because of the population explosion has lead to deforestation.

Another problem in the Philippines is illegal logging which, in spite of a 1986 ban on log exports, leads to the sale of trees worth about $100m a year, in addition to the $350m worth of legal forest product exports, forestry experts estimate. Overlogging or logging without concessions was frequently sanctioned by the military and government officials under the previous regime — when kickbacks sometimes rose to $50 a cubic metre.

The first $60m of the ADB programme will finance contractual replanting and seedling production, some of it for commercial quick-growing plantations. To combat the slash-and-burn farming, the Government will try to settle the farmers by giving them title to land after conducting a census — an awesome task, considerably more difficult than taking satellite photographs of land usage. The Government will pay about 10 per cent of the 1m itinerant farmers to plant and manage replanted areas.

But the Government is missing out one important area: the removal of the incentives to over-log. A World Bank project on the Philippine island of Negros, started in 1985, showed conclusively that forest would be better protected if government concessions were run on a small scale by the local communities using carabao (local oxen) rather than by large highly mechanised operators from outside.

Losses of 1,000 hectares of forest a year fell to 90 hectares once the programme was implemented. Mr Fulgencio Factoran, the Secretary of Natural Resources, wants more concessions to be operated this way and and some forestry experts say it could bring dramatic improvements in forest protection. The Government is now trying to persuade companies to concentrate investment on modern mills and to leave the supply of logs to small resident concessionaires.

But there is opposition from some politicians and the 150 big loggers which have concessions for more than a third of the remaining forests.

Although the Government is finally trying to tackle deforestation, the politically powerful operators who have done so much to destroy the nation's forests seem equally intent on completing what they started.

Japanese savers rush to buy gold

By Stefan Wagstyl in Tokyo

JAPANESE INVESTORS are rushing to buy gold following the abolition of tax-breaks on small savings accounts.

In the first half of the year, investors bought 96.9 tonnes, per 37 per cent more than in the same period last year. In the six months to June, investors accounted for some 70 per cent of Japan's total gold imports of 145 tonnes.

Mr Itsuo Toshima, regional manager of the investment division of the World Gold Council, a gold marketing group, said the main reason was the abolition in April of Maruyu, a system of tax-breaks on small deposits.

The council forecasts that Japanese investment demand in 1988 will climb to 200 tonnes, 50 per cent more than last year and more than the record 173.5 tonnes bought in 1986. However, the 1986 figure excludes 232 tonnes bought by the Japanese Government for the issue of coins marking the 60th anniversary of the reign of Emperor Hirohito.

Total Japanese gold imports are expected to rise 25 per cent to 300 tonnes, which would make Japan the world's biggest gold importer for the third year running.

Mr Toshima said Japanese investors fell into two groups. Rich individuals buying ingots of 1 kg or 500 grammes accounted for 80 per cent of the trade by value but just 10 per cent of the customers by number, while the rest was made up of small-scale investors who bought coins.

Rubber buffer stock 'to run out by year-end'

By Wong Sulong in Kuala Lumpur

THE ONCE-massive stocks held by the International Rubber Organisation are expected to be depleted by the end of the year, according to Mr Aldo Hofmeister, the buffer stock manager.

He is likely to slow down his disposal programme, he said, both because of stocks are now low, and because rubber prices have consolidated at more realistic levels than they were a few weeks ago.

Mr Hofmeister would not disclose the level of his stocks. But market operators believe he has less than 80,000 tonnes, most of it in Europe and the US. The buffer stock has sold nearly 300,000 tonnes since last September.

"If we sell at the rate we did in April or May, we will run out of rubber within a short time. I can foresee that we will sell at a slow rate in the coming months, but still I can anticipate the stocks being depleted by the end of the year", he said.

Mr Hofmeister said in response to complaints by consumers at last April's Inro council meeting that buffer stock sales did not appear to have had an appreciable impact on prices. Inro is currently conducting a study to identify the various factors that influence the market. He believes there is a time lag of several weeks or months before Inro sales make an impact on prices.

RSS No. 1 rubber, the hedging grade, yesterday closed at 341.5 cents a kg on the Malaysian Rubber Exchange, up from 337 cents on Monday. It peaked at 400 ringgit at the end of May.

Meanwhile, the United Planters Association of Malaysia, a major employer group, said in its latest survey that labour shortages continues to be a major problem for the plantations.

Aflatoxin curbs threaten copra export hopes

By Richard Gourlay in Manila

THE PHILIPPINES is hoping to reverse its declining production and exports of coconut products with a major crop fertilisation programme financed by, among others, the World Bank, Mr Jose Romero, the Philippine Coconut Authority chairman, said this week.

At the same time the country, which is the world's largest exporter of coconut products, faces a sharp drop in exports of copra meal, if levels of carcinogenic aflatoxins are not reduced by December, when a European Community directive comes into effect.

The EC which takes all the Philippines' exports of copra meal for animal feed, worth around $75m in 1987, has imposed a 200 parts per billion maximum aflatoxin level from December. Philippine officials are confident the country's exports meet this standard but West German traders, who import about 70 per cent of all copra meal, are threatening to impose a much stricter level of 50 parts per billion.

Mr Romero called the possible German restrictions "a fantastic cut" and "unreasonable" and reminded the Bonn Government of an agreement at a UN Food and Agricultural Organisation meeting in Rome earlier this year to study aflatoxin more closely before any further action was taken.

The Philippine Government has had some limited success distributing low cost kilns to reduce the moisture level of copra after it has been produced in order to deny aflatoxin the conditions in which it flourishes.

Some millers are also financing growers to build kilns and are paying slightly higher rates for copra with low moisture content but officials admit only the surface of the problem has been scratched. Observers say a better system of storage and drying is necessary

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,035-2,080 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.35-5.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.90-8.10 (8.00-8.15), sticks 7.90-8.10 (8.00-8.15).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.55-6.85 (6.50-6.75).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 320-333 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.40-3.50 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.65-9.80 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 46-56 (42-56).

VANADIUM: European free market, min. 98 per cent, VO, cif, 4.50-5.00 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 15.10 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

THE STRIKE by miners in Peru (see this page) helped to underpin the prices of copper, zinc and silver yesterday. Cash copper on the LME rose by £40.50 to £1,289, with the premium for cash metal returning after only a day, albeit at £3.50 a tonne. Traders said most operators still appeared to be short and the uptrend was given impetus by fresh strength on Comex. Zinc prices also advanced sharply, with metal for three-month delivery again testing resistance at around $1,220 a tonne, dealers said. Silver prices rose by 15 cents an ounce in late trading after the London bullion market closed. The metal had some support from the weaker dollar, dealers said, and was boosted by good buying interest, especially from Switzerland.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$13.25-3.30y	-0.125
Brent Blend	$14.89-4.96z	-0.175
W.T.I. (1 pm est)	$15.28-5.33z	-0.42
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$181-183	+1
Gas Oil	$130-132	+1
Heavy Fuel Oil	$66-68	+1
Naphtha	$140-142	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$437.25	+1.50
Silver (per troy oz)♣	716c	
Platinum (per troy oz)	$542.50	+2.50
Palladium (per troy oz)	$123.75	
Aluminium (free market)	$2515	-85
Copper (US Producer)	103⅝-107c	-1
Lead (US Producer)	38c	
Nickel (free market)	650c	
Tin (European free market)	£4287.5	-47.5
Tin (Kuala Lumpur market)	18.77r	-0.01
Tin (New York)	336.5c	+0.5
Zinc (Euro. Prod. Price)	$1262.5	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	115.87p	+2.57*
Sheep (dead weight)†	208.98p	+28.67
Pigs (live weight)†	69.88p	-0.25*
London daily sugar (raw)	$376x	-12.4
London daily sugar (white)	$343x	-9.0
Tate and Lyle export price	£337	-11.5
Barley (English feed)	£102.5z	+0.5
Maize (US No. 3 yellow)	£143	
Wheat (US Dark Northern)	Unq.	
Rubber (spot)♥	75.00p	+1.00
Rubber (Aug)♥	81.00p	+1.00
Rubber (Sep)♥	81.25p	-1.00
Rubber (KL RSS No 1 Aug)	341.5m	+4.5
Coconut oil (Philippines)§	$660x	-20
Palm Oil (Malaysian)§	$505z	-30
Copra (Philippines)§	$460	-20
Soyabeans (US)	$231w	
Cotton "A" index	62.6c	
Wooltops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Aug/Sep. s-Sep/Oct. z-Aug. q-Aug/Oct. w-Jul/Aug. y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Jly	960	977	964	950
Sep	968	991	985	955
Dec	982	990	986	968
Mar	984	990	988	975
May	998	1004	1003	991
Jul	1014	1022	1020	1010
Sep	1034	1041	1043	1029

Turnover: 9517 (5324) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for July 19: 1229.50 (1238.67) :10 day average for July 20: 1250.25 (1250.43) .

COFFEE £/tonne

	Close	Previous	High/Low	
Jly	1057	1062	1060	1054
Sep	1078	1083	1083	1075
Nov	1083	1093	1092	1083
Jan	1092	1105	1102	1091
Mar	1105	1119	1118	1106
May	1120	1132	1130	1114
Jly	1133	1150	1138	1125

Turnover: 3814 (3059) lots of 15 tonnes
ICCO indicator prices (US cents per pound) for July 18 :Comp. daily 113.18 (113.82): 15 day average 113.99 (114.14).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	358.60	347.00	360.00	340.00
Oct	344.00	329.60	348.00	323.00
Dec	323.00	312.00	303.00	300.00
Mar	304.80	295.40	307.80	290.60
May	298.80	288.00	298.00	283.00
Aug	290.00		278.00	
White	**Close**	**Previous**	**High/Low**	
Oct	350.00	340.00	349.00	330.00
Dec	348.00	337.00	334.00	329.00
Mar	344.00	336.00	345.00	328.00
May	343.00	336.00	343.00	328.00
Aug	342.00	336.00	342.00	
Oct	342.00	335.00	342.00	

Turnover: Raw 9139 (9659) lots of 50 tonnes. White 2008 (1126)
Paris- White (FFr per tonne): Oct 2136, Dec 2130, Mar 2120, May 2130, Aug 2135 Oct 2145

GAS OIL $/tonne

	Close	Previous	High/Low	
Aug	132.25	131.00	133.75	130.50
Sep	132.75	131.50	134.00	130.75
Oct	134.00	133.25	135.50	132.50
Nov	134.25	134.00	136.50	133.50

Turnover 7078 (8567) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	105.65	105.40	105.65	105.00
Nov	108.50	108.00	108.50	107.50
Jan	111.50	111.10	111.50	110.60
Mar	113.80	113.45	113.80	113.35
May	116.00	115.70	116.00	115.20
Barley	**Close**	**Previous**	**High/Low**	
Sep	100.50	99.95	100.70	100.05
Nov	103.45	102.85	103.50	102.85
Jan	106.25	105.85	106.60	106.00
Mar	108.70	108.45	109.00	108.60
May	110.30	110.15	110.50	109.90

Turnover: Wheat 104 (111) , Barley 88 (161) .
Turnover lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	78.0	80.0	77.0	75.0
Feb	90.0	92.0		
Apr	122.3	125.8	125.0	122.0
May	134.0	137.0	135.0	134.5

Turnover 499 (210) lots of 40 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 3100 tonne
Cash	2525-40	2540-60	2520	2510-20		
3 months	2460-80	2460-80		2440-60	2480-500	7,236 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 13,200 tonne
Cash	1435-40	1450-5		1435-40		
3 months	1387-8	1405-8	1398/1365	1380-2	1377-8	49,243 lots
Copper, Grade A (£ per tonne)						Ring turnover 49,050 tonne
Cash	1288-90	1248-9	1272/1270	1272-3		
3 months	1285-6	1256-6.5	1287/1270	1276-7	1280-1	67,195 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1250-5	1215-20		1230-40		
3 months	1245-50	1215-20		1276-7		39 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	718.1-8.2	712-5	718.1	711-3		
3 months	732-4	726-9		725-8	732-4	521 lots
Lead (£ per tonne)						Ring turnover 4,950 tonne
Cash	361-2	359-60	363/362	362-3		
3 months	362-2.5	361-1.5	364/362	362.5-3.5	362-3	12,004 lots
Nickel ($ per tonne)						Ring turnover 576 tonne
Cash	14300-400	14200-50		14300-400		
3 months	14100-50	14000-100	14150/14000	14050-100	14150-75	6,814 lots
Zinc (£ per tonne)						Ring turnover 12,000 tonne
Cash	740-2	724-6	736/735	735-6		
3 months	728.5-7.5	711-2	730/719	721-2	727-8	24,058 lots

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	174.50	177.50	176.00	174.00
Dec	178.00	179.00	179.00	175.00
Feb	180.00	186.00	180.00	

Turnover 535 (289) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jly	1220	1220	1230	1215
Aug	1345	1340	1350	1340
Oct	1453	1435	1465	1440
Jan	1470	1460	1480	1465
Apr	1508	1496	1508	1489
BFI	1189	1178		

Turnover 505 (376)

JUTE
July/August 1988 c and f Dundee BTC $505, BWC $495, BTD $435, BWD $425, c and f Antwerp BTC $475, BWC $465, BWD $415, BTD $ 425.

COTTON
Liverpool- Spot and shipment sales for the week ended July 15 amounted to 20 tonnes against 581 tonnes in the previous week. Buying was irregular. Slow trading persisted in Pakistani goods.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	437-437½	258½-259
Opening	437-437½	258½-259
Morning fix	437.25	259.034
Afternoon fix	436.25	257.679
Day's high	437¾-438¼	
Day's low	436-436½	
Coins	**$ price**	**£ equivalent**
US Eagle	450-455	266-269
Mapleleaf	450-455	266-269
Britannia	450-455	266-259
Krugerrand	436-439	258-260
1/2 Krug	226-235	133¾-138¾
1/4 Krug	112-120	66¼-70⅞
Angel	448-453	254½-267½
1/10 Angel	45-50	25⅝-29½
New Sov.	103-104	61-61¾
Old Sov.	103-104½	61-62
Noble Plat	559.8-566.3	331.05-334.9
Silver fix	**p/fine oz**	**US cts equiv**
Spot	423.90	715.10
3 months	435.15	729.55
6 months	447.05	745.20
12 months	469.35	775.30

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept.	Nov.	Sept	Nov.
2400	238	218	104	177
2550	160	153	175	260
2700	103	105	266	359
Aluminium (99.5%)	**Calls**		**Puts**	
2250	234	289	98	252
2400	155	228	162	337
2550	97	178	252	433
Copper (Grade A)	**Calls**		**Puts**	
2050	179	200	80	111
2150	122	151	102	159
2200	99	130	128	187

US MARKETS

A WEAK DOLLAR overseas added strength to the precious metals, reports Drexel Burnham Lambert. Silver and copper markets posted the greatest gains. Silver futures were up over 50 cents while copper rallied 445 on late commission house buying. Trade buying advanced platinum prices over $19.00 in the October contract. Gold rose $8.50 on overseas buying late in the session. In the grain markets, soyabeans and maize prices fell sharply, due mostly to light rainfall and lower temperatures in Central United States. Lower cash prices weakened live cattle futures down to 6687 in the October contract. Pork bellies prices also fell sharply, closing at 3482 in the August contract. In energy trading, crude oil futures lost 45 cents on news of Iran-Iraq fighting. Cotton prices firmed on light trade and commission house buying. Sugar fufutes rallied sharply to close at 1530 in October. Coffee and cocoa prices also gained strength on new buying from the trade.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	446.5	437.8	0	0
Aug	447.5	438.8	449.0	437.0
Sep	450.3	441.6	0	0
Oct	453.4	444.5	455.5	442.8
Dec	459.3	450.1	461.0	448.2
Feb	465.1	455.8	466.0	455.3
Apr	470.9	461.5	472.0	461.5
Jun	476.8	467.3	478.0	467.1
Aug	482.9	473.3	473.3	473.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	564.5	545.3	566.0	547.0
Oct	569.5	551.3	574.9	543.0
Jan	575.5	557.3	581.0	548.2
Apr	582.5	564.3	567.0	567.0
Jul	590.0	571.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	772.7	715.0	778.0	714.0
Aug	775.0	718.0	0	0
Sep	780.0	722.5	789.0	715.5
Dec	797.2	738.7	810.0	732.0
Jan	802.6	744.0	802.0	782.0
Mar	815.0	755.7	825.0	748.5
May	828.8	767.0	819.0	788.0
Jul	839.1	778.8	836.0	780.0
Sep	851.5	790.7	845.0	798.0
Dec	870.3	808.7	860.0	830.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	99.90	96.00	0	96.80
Aug	99.15	94.30	96.50	98.50
Sep	97.15	92.70	97.45	93.20
Dec	92.50	89.30	92.80	89.90
Jan	91.20	88.30	0	0
Mar	88.50	86.50	89.00	87.00
May	86.80	85.00	86.50	85.50
Jul	85.00	83.50	86.00	84.00
Sep	83.00	82.00	82.00	82.00
Dec	82.00	81.50	82.00	81.96

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	15.22	15.70	15.58	15.22
Sep	15.60	15.89	15.86	15.58
Oct	15.73	15.96	15.97	15.67
Dec	15.96	16.08	16.11	15.80
Jan	16.07	16.12	16.14	15.85
Mar	16.05	16.18	16.05	16.05
Apr	16.26	16.21	16.26	16.05
May	16.00	16.24	16.15	16.00

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	4340	4385	4390	4285
Oct	4410	4460	4460	4350
Nov	4500	4545	4540	4430
Dec	4600	4630	4625	4535
Jan	4605	4660	4650	4575
Feb	4570	4640	4600	4570
Mar	4430	4490	4430	4430
Apr	4325	4385	4325	4325

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1555	1552	1580	1525
Dec	1553	1551	1555	1527
Mar	1580	1556	1584	1537
May	1578	1573	1560	1557
Jul	1600	1599	0	0
Sep	1627	1626	1622	1622
Dec	1658	1657	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	133.75	135.00	0	0
Sep	136.08	135.47	136.20	134.85
Dec	135.75	135.13	135.75	134.60
Mar	134.75	133.88	134.75	133.45
May	133.25	132.25	134.00	133.00
Jul	132.63	130.60	132.25	132.25
Sep	132.88	130.25	131.75	131.75
Dec	131.50	130.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	15.30	14.61	15.42	14.32
Jan	13.80	13.09	13.80	13.60
Mar	13.54	13.05	13.68	12.80
May	13.18	12.87	13.30	12.60
Jul	12.71	12.60	12.80	12.22
Oct	12.65	12.28	12.85	12.05

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	57.52	57.28	57.80	56.80
Dec	55.98	55.88	56.45	55.50
Mar	56.60	56.81	57.10	56.25
May	57.20	57.48	57.70	57.00
Jul	57.65	57.75	58.02	57.86
Oct	58.10	58.40	58.60	58.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	186.80	188.40	188.25	186.20
Nov	178.85	179.45	179.60	178.10
Jan	170.90	171.60	171.70	170.15
Mar	169.75	169.90	170.00	169.00
May	168.70	168.65	169.00	167.60
Jul	167.70	167.65	0	0
Sep	167.70	167.65	0	0
Nov	167.70	167.65	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 18	July 15	mnth ago	yr ago
1891.0	1895.1	1915.0	1637.1

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	136.67	136.77	141.52	127.84
Futures	140.57	142.54	142.18	128.28

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	874/4	885/0	881/0	860/0
Aug	901/4	948/4	901/4	901/4
Sep	896/4	941/4	896/4	896/4
Nov	882/0	927/0	882/0	882/0
Jan	870/4	915/4	870/4	870/4
Mar	859/0	904/0	859/0	859/0
May	842/4	887/4	844/0	842/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	30.00	30.62	30.40	30.00
Aug	30.50	32.00	30.50	30.80
Sep	30.75	32.25	30.75	30.75
Oct	30.85	32.35	30.85	30.85
Dec	30.75	32.25	30.75	30.75
Jan	30.52	32.02	30.80	30.52
Mar	30.30	31.80	30.40	30.30
May	29.95	31.36	30.50	29.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	262.7	282.5	265.0	257.0
Aug	259.2	274.2	259.2	259.2
Sep	253.7	268.7	253.7	253.7
Oct	250.5	265.5	250.5	250.5
Dec	248.4	263.4	248.4	248.4
Jan	244.5	259.5	245.0	244.5
Mar	243.0	254.0	243.0	239.0
May	237.0	252.0	237.0	237.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	308/4	303/4	312/0	297/0
Sep	313/0	328/0	317/0	313/0
Dec	317/4	332/4	323/0	317/4
Mar	318/0	332/0	322/4	317/0
May	317/0	329/4	321/0	314/4
Jul	308/4	319/4	313/0	304/4
Sep	281/0	285/4	285/4	270/4
Dec	265/0	263/4	268/0	256/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	376/0	369/0	377/4	362/0
Sep	386/2	379/2	387/0	371/0
Dec	398/2	391/2	399/4	384/0
Mar	401/0	394/2	402/4	388/0
May	381/4	373/0	384/0	369/0
Jul	356/0	350/0	359/0	346/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	63.67	65.05	64.90	63.80
Oct	66.87	67.90	67.70	66.75
Dec	70.27	70.85	70.85	70.15
Feb	71.75	71.82	72.10	71.40
Apr	72.96	72.97	73.35	72.55
Aug	70.30	70.07	70.75	70.16

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	46.65	48.17	48.90	46.35
Aug	43.87	44.32	44.60	43.55
Oct	40.32	40.65	41.30	40.25
Dec	43.12	43.40	43.70	42.82
Feb	47.40	47.67	47.80	46.70
Apr	45.95	47.40	47.60	46.60
Jul	52.25	52.10	53.00	52.00

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	35.85	36.55	38.60	35.80
Aug	34.82	35.97	37.35	34.70
Feb	54.92	56.12	55.90	54.40
Mar	54.97	55.57	55.60	54.50
May	56.50	57.55	55.60	55.65
Jul	56.00	56.62	57.29	55.45
Aug	56.15	58.15	0	56.15

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks hold dollar

THE DOLLAR finished below Monday's levels but above the day's lows in currency markets yesterday. Central banks continued to sell the dollar in modest amounts and this encouraged the dollar bulls to pause for breath.

Most investors have adjusted their portfolios in recent weeks to compensate for a shortage of dollars and dollar denominated stock, but the recent rise in the US unit came to a halt as the speculative element - responsible for much of the rise - took profits, and also because central banks continued to intervene.

Many traders took the view that the US authorities were keeping the dollar firm in the run up to November's Presidential election. A stronger dollar would help to bear down on the rate of inflation.

Once again however, central bank intervention was effective, mainly because it caught the market in two minds. Previous experience has shown that intervention against the trend has a limited effect, but yesterday's dollar sales came at a time when many institutions were already long on dollars, thus succeeding in pushing the dollar lower.

The US unit finished at DM1.8640 down from DM1.8820 and Y133.95 compared with Y134.70. Elsewhere it slipped to SFr1.5480 from SFr1.5625 and FFr6.2875 against FFr6.3425. On Bank of England figures, the dollar's exchange rate index fell from 99.4 to 98.7.

Sterling benefited from the dollar's weaker tone. Investors were encouraged by the attraction of a high yield on sterling based investments, but there was a nagging doubt in the market that the pound's improvement was largely linked to a slow down in dollar demand, rather than a fundamental desire to hold sterling.

Nevertheless the pound rose to $1.6940 from $1.6695 and DM3.1575 compared with DM3.1425. Sterling's break through a significant resistance point at DM3.15 helped to push domestic interest rates lower. While expectations of another rise in base rates helped to underpin sterling, traders were aware that the authorities would wish to avoid pushing sterling much higher.

Sterling closed at Y227.00 from Y224.75 and SFr2.6225 from SFr2.6075. Against the French franc it finished at FFr10.6500 from FFr10.5875.

On Bank of England figures, the pounds exchange rate index rose to 75.6 from 75.5 at the start and 75.1 on Monday.

A rise in the Bundesbank's sale and repurchase rate to 4 p.c., provided some short term support for the D-Mark, but dealers reported little change in trend, suggesting that demand for the D-Mark remained at a low ebb. While the longer term remained bleak, the D-Mark showed a small recovery in the short term, rising to Y71.86 against the yen after Monday's record low of Y71.50.

The Bundesbank was joined by the Swiss central bank in selling dollars.

In Paris the D-Mark slipped to FFr3.3700 at the close, down from FFr3.3781 on Monday despite a narrowing of interest rate differentials in the French franc's favour. An unchanged french money market intervention rate gave the French unit underlying support

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July.19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5149	+2.49	+1.08	±1.5344
Danish Krone	7.85212	7.91544	+0.81	-0.60	±1.5404
German D-Mark	2.05853	2.07870	+0.98	-0.43	±1.0981
French Franc	6.90403	7.01246	+1.57	+0.16	±1.3674
Dutch Guilder	2.31943	2.34452	+1.08	-0.33	±1.5012
Irish Punt	0.768411	0.773135	+0.61	-0.80	±1.6684
Italian Lira	1483.58	1540.76	+3.85	+3.02	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July.19	Latest	Previous Close
£ Spot	1.6930-1.6940	1.6755-1.6725
1 month	0.36-0.35pm	0.395-0.39pm
3 months	1.07-1.04pm	1.85-1.07
12 months	3.48-3.38pm	3.57-3.50

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

July.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6825-1.6950	1.6935-1.6945	0.37-0.34cpm	2.51	1.08-1.03pm	2.49
Canada	2.0300-2.0380	2.0340-2.0350	0.26-0.17cpm	1.27	0.73-0.61pm	1.32
Netherlands	3.54½-3.56¾	3.55¼-3.56¼	1⅝-1½cpm	5.05	5⅛-4½pm	5.40
Belgium	65.60-66.10	66.00-66.10	26-12cpm	3.45	67-50pm	3.54
Denmark	11.96¼-12.05¼	12.01-12.02	2⅜-1⅛orepm	2.00	7½-5⅞pm	3.59
Ireland	1.1680-1.1765	1.1745-1.1755	0.38-0.30pm	3.47	1.16-0.86pm	3.44
W. Germany	3.14½-3.16	3.15½-3.16	1¾-1½pfpm	5.70	4⅝-4⅜pm	5.54
Portugal	255.00-257.20	256.15-257.15	26-65cdis	-1.61	80-180dis	-2.03
Spain	208.35-209.50	209.00-209.30	par-15cdis	-0.43	10pm-11dis	-0.01
Italy	2331-2340½	2339½-2340½	par-4liredis	-1.03	2-7dis	-0.77
Norway	11.43¼-11.52¾	11.51-11.52	2-3¾oredis	-2.80	6¾-7¾dis	-2.45
France	10.60-10.65½	10.64½-10.65½	3⅛-2⅛cpm	3.03	8½-7⅜pm	2.91
Sweden	10.79¾-10.84½	10.83¼-10.84¼	⅜pm-⅜oredis	-0.28	2pm-½dis	0.28
Japan	225¼-227½	226½-227½	1¼-1ypm	6.28	3¼-2⅞pm	5.73
Austria	22.06-22.21	22.18-22.21	10⅝-9⅛gropm	5.37	31¼-28¼pm	5.37
Switzerland	2.60¾-2.62¾	2.61¾-2.62¾	1¾-1½cpm	6.86	4½-4pm	6.48

Belgian rate is convertible francs. Financial franc 66.70-66.80. Six-month forward dollar 1.99-1.94cpm 12 months 3.50-3.40cpm.

STERLING INDEX

		July.19	Previous
8.30	am	75.5	74.9
9.00	am	75.4	74.9
10.00	am	75.4	74.9
11.00	am	75.4	74.9
Noon		75.4	74.9
1.00	pm	75.4	74.8
2.00	pm	75.2	74.8
3.00	pm	75.5	75.1
4.00	pm	75.6	75.1

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6825-1.6950	1.6935-1.6945	0.37-0.34cpm	2.51	1.08-1.03pm	2.49
Ireland†	1.4385-1.4465	1.4435-1.4445	0.10-0.17pdis	-1.12	0.20-0.35dis	-0.76
Canada	1.1985-1.2065	1.2005-1.2015	0.11-0.14cdis	-1.25	0.34-0.37dis	-1.18
Netherlands	2.0950-2.1080	2.1030-2.1040	0.60-0.58cpm	3.37	1.62-1.57pm	3.04
Belgium	38.85-39.15	38.95-39.05	4-3cpm	1.08	12-9pm	1.08
Denmark	7.08-7.11¾	7.09-7.09½	par-0.60oredis	-0.51	0.10-0.70dis	-0.23
W. Germany	1.8570-1.8695	1.8635-1.8645	0.51-0.49pfpm	3.22	1.48-1.45pm	3.14
Portugal	151½-152¼	151¼-152	40-65cdis	-4.39	150-200dis	-4.61
Spain	123.15-123.80	123.35-123.45	25-35cdis	-2.92	75-85dis	-2.59
Italy	1377-1385½	1380¾-1381¼	3.50-4.20liredis	-3.35	10.50-11.50dis	-3.19
Norway	6.76¼-6.83	6.79½-6.80	2.80-3.15oredis	-5.26	8.10-8.50dis	-4.89
France	6.26¼-6.30½	6.28½-6.29	0.40-0.30cpm	0.67	1.00-0.80pm	0.57
Sweden	6.38-6.41¾	6.39½-6.40	1.10-1.40oredis	-2.34	3.15-3.55dis	-2.09
Japan	133.35-134.30	133.90-134.00	0.46-0.43ypm	3.99	1.27-1.22pm	3.72
Austria	13.05¾-13.14	13.11-13.11½	3.10-2.70gropm	2.66	10.00-8.50pm	2.83
Switzerland	1.5385-1.5515	1.5475-1.5485	0.60-0.56cpm	4.50	1.62-1.57pm	4.13

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.35-39.45.

CURRENCY RATES

July.18	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.774230	0.660438
U.S Dollar	6	1.28677	1.11548
Canadian $	8.75	1.55622	1.34215
Austrian Sch.	3½	17.1140	14.6150
Belgian Franc	7	50.9368	43.5149
Danish Krone	7½	9.26732	7.91544
Deutsche Mark	3	2.42955	2.07870
Neth. Guilder	3½	2.74661	2.34452
French Franc	9½	8.21667	7.01246
Italian Lira	12½	1801.64	1540.76
Japanese Yen	2½	173.843	149.429
Norway Krone	8	8.84011	7.57801
Spanish Peseta	-	161.281	137.818
Swedish Krona	8½	8.30996	7.13796
Swiss Franc	2½	2.01573	1.72397
Greek Drach.	20½	194.856	166.820
Irish Punt	-	0.905602	0.773135

*All SDR rates are for July.18

CURRENCY MOVEMENTS

July.19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	75.6	-17.4
U.S Dollar	98.7	-8.0
Canadian Dollar	85.9	-1.8
Austrian Schilling	133.7	+9.6
Belgian Franc	97.8	-4.1
Danish Krone	89.4	+0.5
Deutsche Mark	145.7	+20.4
Swiss Franc	167.9	+21.8
Guilder	[illegible]	[illegible]
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for July.18

OTHER CURRENCIES

July.19	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	119.65*	70.00*
Korea(Sth)	1211.70-1221.45	723.10-729.10
Kuwait	0.47960-0.48010	0.28375-0.28385
Luxembourg	66.00-66.10	38.95-39.05
Malaysia	4.4415-4.4515	2.6280-2.6305
Mexico	3861.10-3871.85	2284.00-2289.00
N. Zealand	2.5530-2.5580	1.5115-1.5130
Saudi Ar.	6.3430-6.3470	3.7510-3.7520
Singapore	3.4595-3.4650	2.0475-2.0495
S. Af (Cm)	4.0975-4.1085	2.4340-2.4360
S. Af (Fn)	5.8795-5.9835	3.4785-3.5400
Taiwan	48.00-48.25	28.35-28.70
U.A.E.	6.2080-6.2140	3.6725-3.6735

*Selling rate

EURO-CURRENCY INTEREST RATES

July.19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9½-9¼	9⅝-9⅝	10⅝-10½	11-10⅞	11⅛-10⅞	11½-11
US Dollar	7¾-7⅝	7⅞-7⅞	8-7⅞	8⅜-8¼	8⅝-8½	8¾-8⅝
Can. Dollar	8¾-8½	8¾-8⅝	9⅛-9	9⅝-9½	9⅞-9⅞	10¼-10
D. Guilder	4⅝-4½	4⅝-4½	4⅝-4½	5⅛-5	5⅜-5¼	5⅝-5½
Sw. Franc	3¼-3	3½-3¼	3⅞-3⅝	4⅜-4¼	4⅝-4½	4⅞-4¾
Deutschmark	4¾-4½	4⅞-4¾	4⅞-4⅞	5⅜-5¼	5⅝-5½	5⅞-5¾
Fr. Franc	7⅝-7¼	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝	8-7⅝	8⅜-8⅛
Italian Lire	11-9	11-10	11-10½	11⅜-11	11⅝-11⅛	11⅝-11⅛
B. Fr. (Fin)	7⅝-7⅜	6⅞-6⅝	7⅛-7	7⅜-7¼	7⅝-7¼	7⅝-7⅜
B. Fr. (Con)	6½-6	7-6½	7¼-6⅞	7⅜-7¼	7⅝-7¼	7⅝-7⅜
Yen	4¼-4⅛	4⅜-4¼	4¼-4⅛	4⅜-4¼	4⅞-4⅞	4⅞-4⅞
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9 per cent; three years 9⅜-9¼ per cent; four years 9½-9⅜ per cent; five years 9⅝-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July.19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.694	3.158	227.	10.65	2.623	3.563	2340	2.036	66.05
$	0.590	1	1.864	134.0	6.287	1.549	2.103	1381	1.201	38.99
DM	0.317	0.536	1	71.88	3.372	0.831	1.128	741.0	0.644	20.92
YEN	4.405	7.463	13.91	1000.	46.92	11.56	15.70	10308	8.965	291.0
F Fr.	0.939	1.591	2.965	213.1	10.	2.463	3.346	2197	1.911	62.02
S Fr.	0.381	0.646	1.204	86.54	4.060	1	1.358	892.1	0.776	25.18
H Fl.	0.281	0.475	0.886	63.71	2.989	0.736	1	656.7	0.571	18.54
Lira	0.427	0.724	1.350	97.01	4.551	1.121	1.523	1000.	0.870	28.23
C $	0.491	0.832	1.552	111.5	5.233	1.289	1.751	1150	1	32.46
B Fr.	1.514	2.565	4.781	343.7	16.12	3.971	5.394	3543	3.081	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices firmer

STERLING'S STRONGER performance boosted long gilts and three-month sterling deposits in yesterday's Liffe market.

Gilt prices took heart from the pound's more solid performance, and attracted a brisk trade as overseas demand for sterling denominated stock increased. The September gilt price opened at 94-16, up from 94-04 on Friday and rose to a best level of 94-24, before finishing at 94-20.

In a similar way three-month sterling deposits moved up to a high of 89.16 for September delivery, before finishing at 89.14, up from 89.10 on Monday.

Institutional investors moved back into sterling deposits as lower cash rates pushed values higher in the futures market. However the firmer trend may be short lived. Much depends on today's release of UK bank lending figures for June. Provisional estimates suggest that a sharp rise in borrowing will force another rise in bank base rates.

US Treasury bond futures opened lower but managed to recover during the day to finish at 86-00 for September delivery, up from 85-24 at the opening and 85-27 on Monday.

The dollar's softer trend was less than encouraging but sentiment was heartened by an absence of intervention in the money market by the US Federal Reserve.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
88	640	703	0	9
90	443	513	3	19
92	249	330	9	36
94	111	204	35	110
96	21	105	145	211
98	6	37	330	343
100	1	17	525	523

Estimated volume total, Calls 2537 Puts 3733
Previous day's open int. Calls 26362 Puts 36758

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	603	554	3	42
82	412	423	12	111
84	233	307	33	159
86	114	207	114	259
88	31	123	231	411
90	10	54	410	542
92	5	31	605	719

Estimated volume total, Calls 51 Puts 102
Previous day's open int. Calls 1060 Puts 1517

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jul	Calls-settlements Aug	Puts-settlements Jul	Puts-settlements Aug
17000	1400	1416	0	16
17500	900	962	0	62
18000	412	579	12	179
18500	77	299	177	399
19000	3	130	603	730
19500	0	47	1100	1147
20000	0	14	1600	1624

Estimated volume total, Calls 0 Puts 10
Previous day's open int. Calls 6 Puts 58

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Puts-settlements Aug	Puts-settlements Sep
155	1412	1412	1	14
160	912	912	14	60
165	467	520	86	181
170	176	253	295	414
175	44	101	663	762
180	7	33	1126	1154
185	1	9	1620	1670

Estimated volume total, Calls 0 Puts 20
Previous day's open int. Calls 622 Puts 3

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	92	79	1	19
9100	69	62	3	27
9125	47	47	6	37
9150	29	33	13	48
9175	15	23	24	63
9200	8	15	42	80
9225	3	9	62	99

Estimated volume total, Calls 240 Puts 250
Previous day's open int. Calls 1362 Puts 2243

LIFFE SHORT STERLING

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8850	82	98	18	26
8875	64	81	25	34
8900	48	65	34	43
8925	36	52	47	55
8950	25	40	61	68
8975	17	30	78	83
9000	11	22	97	100

Estimated volume total, Calls 335 Puts 1051
Previous day's open int. Calls 11025 Puts 10386

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.650	4.59	5.23	5.61	6.38	0.70	1.84	2.32	3.55
1.675	2.85	3.69	4.14	4.98	1.50	2.77	3.37	4.84
1.700	1.60	2.48	2.96	3.87	2.75	4.02	4.70	6.20
1.725	0.80	1.70	2.15	2.93	4.38	5.62	6.26	7.68
1.750	0.45	1.01	1.46	2.17	6.40	7.46	8.03	9.37
1.775	0.11	0.58	0.94	1.63	8.74	9.50	9.88	11.20
1.800	0.02	0.29	0.58	1.15	11.11	11.69	11.98	13.17

Previous day's open int: Calls Puts
Previous day's volume: Calls Puts

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Calls-settlements Oct	Calls-settlements Dec	Puts-settlements Aug	Puts-settlements Sep	Puts-settlements Oct	Puts-settlements Dec
1.650	4.85	5.40	6.50	7.40	1.15	2.05	2.65	3.90
1.700	2.00	2.80	3.20	4.15	3.05	4.20	4.90	6.35
1.750	0.80	1.30	1.70	2.50	6.70	7.60	8.20	9.45
1.800	0.55	0.70	1.00	1.55	11.35	11.90	12.35	13.25
1.850	0.40	0.45	0.65	1.05	16.20	16.65	16.90	17.50
1.900	0.30	0.40		1.10	11.60	11.70		12.20
1.950	0.30	0.40		1.30	16.40	11.40		17.60

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 448 Puts 172

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	94-20	94-24	94-11	94-04
Dec	94-29	94-31	94-22	94-13

Estimated Volume 21458 (23009)
Previous day's open int. 42796 (43115)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	94-06			93-22
Dec				

Estimated Volume 0 (0)
Previous day's open int. 100 (100)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sep	101.29	101.63	101.30	100.49
Dec	100.10			99.19

Estimated Volume 618 (524)
Previous day's open int. 970 (989)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Sep	89.14	89.16	88.98	88.95
Dec	89.22	89.24	89.07	89.06
Mar	89.46	89.50	89.34	89.30
Jun	89.59	89.60	89.50	89.47

Est. Vol. (inc. figs. not shown) 23747 (23046)
Previous day's open int. 41112 (36398)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sep	184.00	185.00	183.70	184.70
Dec	185.40	185.00	185.00	186.10
Mar				

Estimated Volume 851 (935)
Previous day's open int. 9735 (9640)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Sep	91.66	91.67	91.61	91.60
Dec	91.35	91.35	91.31	91.30
Mar	91.24	91.25	91.21	91.20
Jun	91.07	91.07	91.05	91.03

Est. Vol. (inc. figs. not shown) 5902 (4224)
Previous day's open int. 35473 (34806)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	86-00	86-06	85-24	85-27
Dec	85-06			85-01
Mar				

Estimated Volume 7227 (5410)
Previous day's open int. [illegible]

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume 6 (16)
Previous day's open int. 169 (168)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6940	1.6905	1.6837	1.6744	1.6595

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.6900	1.6908	1.6810	1.6660
Dec	1.6812	1.6812	1.6700	1.6556
Mar	1.6770	1.6770	1.6600	1.6474

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sep	86-03	86-06	85-15	85-21
Dec	85-08	85-12	84-22	84-27
Mar	84-17	84-18	84-00	84-04
Jun	83-25	83-26	83-18	83-13
Sep	83-06	83-06	83-05	82-25
Dec	82-23	82-23	82-19	82-07
Mar	82-04	82-07	82-04	81-23
Jun	81-23	81-23	81-23	81-07
Sep	-	-	-	80-23
Dec	-	-	-	80-07
Mar	-	-	-	79-23

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep	93.04	93.06	92.98	92.97
Dec	92.81	92.83	92.75	92.75
Mar	92.72	92.72	-	92.67
Jun	92.60	92.60	-	92.54
Sep	92.47	92.48	-	92.44
Dec	92.42	92.42	-	92.38
Mar	92.39	92.39	-	92.35

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6507	0.6527	0.6504	0.6468
Dec	0.6572	0.6595	0.6570	0.6533
Mar	0.6630	0.6655	0.6630	0.6595

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7511	0.7527	0.7507	0.7478
Dec	0.7576	0.7592	0.7575	0.7542
Mar	0.7648	0.7650	0.7637	0.7606
Jun	0.7720	0.7720	-	0.7678

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.5385	0.5406	0.5385	0.5355
Dec	0.5427	0.5447	0.5427	0.5394
Mar	0.5470	0.5470	-	0.5434

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sep	91.66	91.67	91.61	91.61
Dec	91.36	91.36	91.30	91.29
Mar	91.24	91.26	91.19	91.18
Jun	91.07	91.08	91.06	91.02
Sep	90.96	90.96	90.92	90.90
Dec	90.87	90.87	90.83	90.81
Mar	90.81	90.81	90.78	90.75
Jun	90.76	90.76	90.74	90.70

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sep	272.00	273.00	271.50	272.30
Dec	274.60	275.40	274.00	274.75
Mar	276.80	277.20	276.50	276.80
Jun	278.80	279.20	278.50	278.60

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Feb. 89 Vol	Feb. 89 Last	Stock
GOLD C	$480	2	0.20	28	5.50	-	-	$436.90
GOLD P	$440	4	6.50	10	11	30	12.50	$436.90
GOLD P	$460	30	24.50	-	-	20	25	$436.90
		Sep. 88		Dec. 88		Mch. 89		
SILVER C	$750	27	35	30	60 A	-	-	$713
		Aug. 88		Sep. 88		Oct. 88		
EOE Index C	Fl. 225	55	10.60	5	12 B	-	-	Fl. 233.97
EOE Index C	Fl. 230	28	7.30	6	9 B	-	-	Fl. 233.97
EOE Index C	Fl. 235	222	4.50	60	6	-	-	Fl. 233.97
EOE Index C	Fl. 240	91	3	100	4.10	-	-	Fl. 233.97
EOE Index C	Fl. 245	109	1.90	-	-	-	-	Fl. 233.97
EOE Index P	Fl. 215	-	-	100	2.30	-	-	Fl. 233.97
EOE Index P	Fl. 220	83	1.60	31	3.30	14	5.50	Fl. 233.97
EOE Index P	Fl. 225	49	2.70 A	1	4.50	-	-	Fl. 233.97
EOE Index P	Fl. 230	281	4	17	6.80	7	10	Fl. 233.97
EOE Index P	Fl. 235	82	6.40	-	-	-	-	Fl. 233.97
£/Fl C	Fl. 350	-	-	27	5.70	1	5.70 B	Fl. 356.01
£/Fl C	Fl. 355	20	2.50	30	3	-	-	Fl. 356.01
$/Fl C	Fl. 200	10	10.20	231	10	-	-	Fl. 210.15
$/Fl C	Fl. 205	203	5.80	30	6.60	-	-	Fl. 210.15
$/Fl C	Fl. 210	598	3.20	305	3.70	88	4.60	Fl. 210.15
$/Fl C	Fl. 215	560	1.40	277	2	19	2.80	Fl. 210.15
$/Fl C	Fl. 220	-	-	105	0.80	84	1.60	Fl. 210.15
$/Fl P	Fl. 205	2	1.20	96	2.50	6	3.80 A	Fl. 210.15
$/Fl P	Fl. 210	10	3	27	4.50	-	-	Fl. 210.15
$/Fl P	Fl. 215	253	6.60	15	7.50	-	-	Fl. 210.15
		Oct. 88		Jan. 89		Apr. 89		
ABN C	Fl. 40	360	5.20	2	5.80	17	7	Fl. 44.90
ABN P	Fl. 45	208	2.70	20	3.50	45	4	Fl. 44.90
AEGON C	Fl. 85	25	3.20 B	4	5	-	-	Fl. 83.50
AHOLD C	Fl. 90	411	4.80	2	6.80	-	-	Fl. 89.20
AKZO C	Fl. 140	339	5.30	96	7.80	32	10.10	Fl. 134
AKZO P	Fl. 120	176	1.80	17	3.50	12	4.30	Fl. 134
AMEV C	Fl. 60	27	1	28	1.80	4	3	Fl. 54
AMEV P	Fl. 50	20	1.50	50	2	-	-	Fl. 54
AMRO C	Fl. 75	166	2.70	8	4.30 B	27	5.30 B	Fl. 74.10
AMRO P	Fl. 75	35	4.50	5	5.30	10	6	Fl. 74.10
BUHRMANN-T C	Fl. 50	209	4.50	7	5.40	-	-	Fl. 52.50
BUHRMANN-T P	Fl. 50	144	1.60	-	-	-	-	Fl. 52.50
ELSEVIER C	Fl. 65	336	1.60	-	-	-	-	Fl. 57.80
ELSEVIER P	Fl. 55	78	1.90	19	3	-	-	Fl. 57.80
GIST-BROC. C	Fl. 27.50	102	8.50	-	-	-	-	Fl. 35.10
GIST-BROC. P	Fl. 35	292	2.30	570	3.30	-	-	Fl. 35.10
HEINEKEN C	Fl. 140	46	9	-	-	5	14.50	Fl. 145.70
HOOGOVENS C	Fl. 60	497	2.50	17	4	36	5.60 A	Fl. 53.70
HOOGOVENS P	Fl. 55	90	4.60	45	6.20	-	-	Fl. 53.70
KLM C	Fl. 40	353	1.50	100	2.40	4	3 B	Fl. 37.50
KLM P	Fl. 35	152	1.90	23	2.70	-	-	Fl. 37.50
KNP C	Fl. 160	75	8.40	27	11.50	10	14	Fl. 158.50
KNP P	Fl. 160	30	8	16	10.50	75	13	Fl. 158.50
NEDLLOYD C	Fl. 240	105	9.50	3	15.10 B	-	-	Fl. 227
NEDLLOYD P	Fl. 230	58	14.30	-	-	-	-	Fl. 227
NAT.NED. C	Fl. 65	239	2.70	4	4.70	9	5.50	Fl. 64.60
NAT.NED. P	Fl. 60	112	1.40	4	2.50	-	-	Fl. 64.60
PHILIPS C	Fl. 35	506	2.10	201	2.90	75	3.60	Fl. 34
PHILIPS P	Fl. 35	73	2.50	39	3.50 B	67	4.70	Fl. 34
ROYAL DUTCH C	Fl. 240	2017	4.70	125	7.80	3	10.50	Fl. 234
ROYAL DUTCH P	Fl. 230	712	7.10	7	9.50	-	-	Fl. 234
UNILEVER C	Fl. 120	212	3	28	5 B	5	6.90	Fl. 112
UNILEVER P	Fl. 110	164	3.80	11	6.10	-	-	Fl. 112
WESSANEN P	Fl. 75	53	2.50	-	-	-	-	Fl. 77.70

TOTAL VOLUME IN CONTRACTS : 29,404

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10½	City Merchants Bank	10½	NatWestminster	10½
Adam & Company	10	Clydesdale Bank	10½	Northern Bank Ltd	10½
AAB - Allied Arab Bk	10½	Comm. Bk. N. East	10½	Norwich Gen. Trust	10½
Allied Irish Bank	10	Co-operative Bank	*10½	PRIVATbanken Limited	10½
Henry Ansbacher	10½	Coutts & Co	10½	Provincial Bank PLC	11
ANZ Banking Group	10	Cyprus Popular Bk	10½	R. Raphael & Sons	10
Associates Cap Corp	10	Dunbar Bank PLC	10½	Roxburghe G'rantee	10½
Authority Bank	10½	Duncan Lawrie	10½	Royal Bk of Scotland	10½
B & C Merchant Bank	10½	Equatorial Bank plc	10½	Royal Trust Bank	10½
Banco de Bilbao	10½	Exeter Trust Ltd	11	Smith & Williamson Secs.	10½
Bank Hapoalim	10	Financial & Gen. Sec	10	Standard Chartered	10½
Bank Leumi (UK)	10½	First National Bank Plc	10	TSB	10½
Bank Credit & Comm	10½	● Robert Fleming & Co.	10½	UDT Mortgage Exp	‡9.4
Bank of Cyprus	10½	Robert Fraser & Ptnrs.	11½	United Bk of Kuwait	10½
Bank of Ireland	10	Girobank	10½	United Mizrahi Bank	10½
Bank of India	10½	Grindlays Bank	10	Unity Trust Bank Plc	10
Bank of Scotland	10½	● Guinness Mahon	11	Western Trust	10
Banque Belge Ltd	10½	HFC Bank plc	10½	Westpac Bank Corp.	10½
Barclays Bank	10	● Hambros Bank	10½	Whiteaway Laidlaw	11
Benchmark Bank PLC	10½	Heritable & Gen Inv Bk	10½	Yorkshire Bank	10½
Berliner Bank AG	10½	● Hill Samuel	§10½		
Brit Bk of Mid East	10½	C. Hoare & Co.	10½		
● Brown Shipley	10½	Hongkong & Shangh	10½		
Business Mtge Tst	10½	Lloyds Bank	10½		
CL Bank Nederland	10½	Meghraj Bank Ltd	10½		
Central Capital	10½	Midland Bank	10½		
● Charterhouse Bank	10½	Mount Bnkg Corp.	10½		
Citibank NA	10½	Nat Bk. of Kuwait	10½		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000+ instant access 9.0% ‡ Mortgage base rate. § Demand deposit 5.0%. Mortgage 9.125% - 9.5%

MONEY MARKETS

UK rates steady

INTEREST RATES adopted a holding pattern in London yesterday, easing from Monday's highs but still near to discounting a further half point rise in base rates. Three-month interbank money was quoted at 10⅞-10¾ p.c. compared with 11-10⅞ p.c. while the one year rate finished at 11¼-11 p.c. from 11⅜-11¼ p.c.

The softer tone reflected sterling's stronger performance but upward pressure on rates remained. Much depends on today's release of bank lending and money supply figures for June, expected to show a sharp increase. If the figures are as bad as expected, dealers suggested that a further half point increase in base rates this week could not be ruled out.

UK clearing bank base lending rate 10½ per cent from July 18

The Bank of England forecast a flat position, with factors affecting the market including bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £91m. In addition banks brought forward balances £120m below target. These were matched by Exchequer transactions, which added £175m and a fall in the note circulation of £55m.

The forecast was revised to a shortage of around £200m, and the Bank gave assistance in the morning of £189m, which comprised outright purchases of £41m of eligible bank bills in band 3 at 10⅝ p.c. In band 4 it bought £57m of Treasury bills at 10⅝ p.c. and £91m of eligible bank bills at 10⅝-10¾ p.c. There was no assistance in the afternoon.

The split rate on the longer dated bills reflected a desire by discount houses to offload paper in the face of continued pressure for higher base rates.

Interest rates were also firmer in Frankfurt. The Bundesbank increased the rate on sale and repurchase agreements - regarded as a key indicator - to 4.00 p.c. from 3.75 p.c. when announcing its latest facility.

The rise reflected the authorities' concern over the D-Mark's continued weakness and also a shortage of liquidity in the money market. The repurchase agreement means that successful applicants will receive funds today, replacing a maturing facility of DM12.1bn.

Most dealers were hoping for a generous allocation, since commercial banks are currently having problems meeting end of month minimum reserve requirements. The drain on short short term liquidity was exacerbated by continued intervention in currency markets by the Bundesbank, selling dollars and draining D-Marks out of the system.

FT LONDON INTERBANK FIXING

(11.00 a.m. July.19) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8⅞	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8¾-9
Fed. funds	7⅞-⅞
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	5.79	Three year	8.46
Two month	6.37	Four year	8.59
Three month	6.89	Five year	8.72
Six month	7.42	Seven year	8.96
One year	7.75	10-year	9.12
Two year	8.30	30-year	9.25

July.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.50-4.55	4.80-5.00	4.90-5.10	5.00-5.20	5.20-5.40	4.50
Paris	7⅛-7¼	7⅛-7¼	7¼-7⅜	7¼-7½	7½-7⅝	7.00
Zurich	1⅞-1⅞	3⅛-3⅞	-	4-4⅛	-	-
Amsterdam	4⅞-4⅞	4⅛-4⅞	-	5⅛-5⅜	-	-
Tokyo	3.65625	4.03125	-	4.09375	-	-
Milan	10-10½	10⅞-11⅛	-	11⅛-11½	-	-
Brussels	6.70	7-7⅛	-	7⅛-7⅜	-	-
Dublin	7⅛-7⅜	7½-7¾	7⅝-7⅞	7⅞-8	8¾-9	-

LONDON MONEY RATES

July.19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅛	10⅛	10⅝	11⅛	11⅛	11⅜
Interbank Bid	1	9⅞	10½	10⅞	10⅞	10⅞
Sterling CDs	-	-	10½	10¾	10⅞	10⅞
Local Authority Deps.	9½	9¾	10½	10¾	11	11
Local Authority Bonds	-	-	10⅝	11	11⅛	11⅛
Discount Mkt Deps.	9½	9½	10⅜	10⅝	-	-
Company Deposits	-	-	10⅝	11	11⅛	11⅛
Finance House Deposits	-	-	10½	10¾	11	11
Treasury Bills (Buy)	-	-	10⅜	10½	-	-
Bank Bills (Buy)	-	-	10⅜	10⅝	10⅝	-
Fine Trade Bills (Buy)	-	-	11	11¼	11⅛	-
Dollar CDs	-	-	7.95-7.90	8.20-8.15	8.45-8.40	8.65-8.60
SDR Linked Dep Offer	-	-	6⅞	7⅛	7¼	7½
SDR Linked Dep Bid	-	-	6⅝	6⅞	7⅛	7¼
ECU Linked Dep Offer	-	-	6⅞	7¼	7⅜	7⅝
ECU Linked Dep Bid	-	-	6⅝	7⅛	7⅛	7⅜

Treasury Bills (sell); one-month 10⅛ per cent; three months 10¼ per cent; Bank Bills (sell); one-month 10⅛ per cent; three months 10⅜ per cent; Treasury Bills; Average tender rate of discount 10.1369 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1988. Agreed rates for period July 26, 1988 to August 23, 1988, Scheme I: 10.21 p.c., Schemes II & III: 10.12 p.c. Reference rate for period June 1, 1988 to June 30, 1988, Scheme IV&V: 8.939 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 8½ from July 1, 1988: Bank Deposit Rates for sums at seven days notice - per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 8¼ per cent; three-six months 8¼ per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 6 per cent from May 17, 1988. Deposits withdrawn for cash - per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

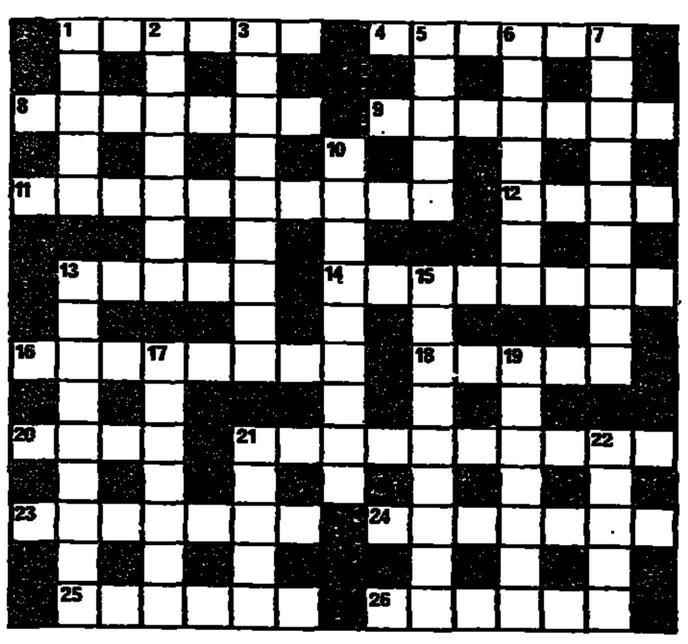
	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	45.29	45.74	48.68	-0.18	5.63
Gilts & Fixed Int	6	111.4	111.4	118.3	+0.7	8.45
High Inc Equity	6	116.3	119.5	127.1	-0.1	4.68
Worldwide Bond	6	194.0	194.0	205.7	-1.4	4.72
Capital Growth						
American Growth	6	156.5	157.6	168.5	-2.5	1.20
Asian Pacific	6	72.34	73.49	78.59	-2.85	1.01
Assets & Earnings	6	139.2	144.8	154.0	-0.2	1.58
Capital Reserve Acc	0	79.31	79.31	79.38	.....	3.78
Comdty & Energy	6	100.9	103.5	110.6	-1.7	1.09
European Capital	6	71.76	72.23	76.83	-0.65	0.98
General	6	163.2	166.8	177.4	-0.2	2.54
Japan	6	91.25	91.25	97.60	-3.0	0.00
Mastertrust	6	74.24	75.29	80.52	.....	2.25
UK Growth Acc	6	184.6	193.8	206.1	-1.3	1.47
UK Growth Dist	6	125.2	131.5	139.8	-0.5	2.16
US Emerging Cos	6	45.38	46.96	49.95	-0.81	0.00
Income & Growth	6	252.5	258.9	275.4	-0.9	3.45
Ethical Growth	6	43.64	44.48	47.57	+0.06	2.62
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070						
20 Chiswell St, London EC1Y 4TY 01-374 6801						
Dealing (Freephone) 0800 833580						
American	5¼	42.71	42.71	45.54	-0.98	2.02
Australian	5¼	24.59	24.96	26.56	-0.55	1.30
European	5¼	43.79	43.79	46.42	+0.25	-
Extra Income	5	38.89	38.89xd	41.28	-0.07	4.76
Fund Inv Tst	5¼	98.21	98.21	104.40	-0.84	2.41
Do Accum	5¼	148.80	148.80	158.10	-1.30	2.41
Gilt & Fixed Int	5¼	22.59	23.04xd	24.51	-0.02	9.75
Global Income	5¼	36.03	36.35	38.67	-0.29	5.01
Income & Growth	5¼	65.38	66.16xd	70.38	+0.17	4.30
Japan	5¼	161.30	161.30	171.70	-2.70	0.01
Nth Amer Inc (z)	5	26.48	26.48	28.11	-0.35	4.24
Special Situations	5¼	63.23	64.35	68.46	-0.10	1.29
UK Growth	5¼	32.07	32.07	34.04	-0.12	2.72
World Gwth	5	40.65	40.65	43.15	-0.51	1.11
Aegis Unit Tst Mngmt Ltd (1400)F						
94 Whiteladies Rd, Bristol, BS8 1QX 0272 237593						
CAMco Intl Recovery	5	47.97	49.43	52.04	+0.11	1.50
St Nicholas St Gwth	5	46.33	47.72	50.77	-0.06	4.28
Blackstone Franks UK	5	47.50	47.50	50.00	----	2.50
Blackstone Franks Int	5	47.50	47.50	50.00	----	0.10
AEtna Unit Trusts Ltd (1600)F						
401 St John St, London EC1V 4QE 01-837 6494						
European Growth	5	107.6	107.6	115.2	-1.1	1.05
Exempt	2	405.0	405.0	427.0	+0.7	4.49
(Accum Units)	2	991.5	991.5	1045	+2.0	4.49
Far Eastern	5	215.4	215.4	230.3	-4.6	5.00
(Accum Units)	5	232.9	232.9	249.0	-5.0	5.00
Fin & Property	5	80.86	84.40	89.44	+0.59	2.37
(Accum Units)	5	130.4	136.2	144.2	-1.0	2.37
Anderson Orme Unit Tst Mgrs Ltd (1200)F						
62 London Wall, London, EC2R 7DQ 01-638 1200						
Growth Tst	2	205.7	210.5	215.9	-1.3	2.11
High Income Tst ♥	5	37.53	38.07	40.50	-0.21	5.53
Intl Recovery Acc	5	41.99	43.90	47.20	+0.55	1.22
Intl Recovery Inc ♥	5	30.62	32.02	34.43	+0.32	1.22
Anthony Wieler Unit Tst Mgmt Ltd (1000)F						
19 Widegate St, London E1 7HP 01-377 1010						
Growth Income	5	101.3	107.3	114.1	-0.6	1.4
Do Accum	5	141.4	149.7	159.3	-0.8	1.4
Quarterly Income	5	53.6	57.6	61.3	.....	8.2
Arkwright Management (1400)F						
1 King St, Manchester M60 3AH 061-832 0242						
Growth July 19	5	94.96	94.96	101.02	+0.20	1.86
Income July 19	5	47.19	48.06xd	51.13	-1.07	4.81
Asset Unit Trust Mngrs Ltd (0900)F						
Pl"n"ex Hse, Fenchurch St, London EC3 01-220 7231						
Growth July 1	5	104.56	104.56	111.09	.....	1.39
Income July 1	5	105.75	109.00	115.04	.....	5.00
Atlanta Unit Trust see Abtrust Mngt						
Baillie Gifford & Co Ltd (1430)H						
3 Glenfinlas St, Edinburgh 031-226 6066						
Japan Exmt July 13	5	539.5	539.5	558.9	.....	0.00
UK Exempt June 15	5	383.5	395.6xd	420.8	+7.0	0.37
Mngd Exempt June 15	5	106.0	107.4xd	114.2	+1.2	2.67
BG Japan	5	222.5	222.5	236.7	-4.4	0.00
BG America	5	124.7	124.7	132.6	-2.4	0.58
BG Technology	5	193.7	193.7xd	206.0	-4.1	0.00
BG Energy	5	212.5	212.5	226.0	-0.9	1.56
BG Income Gwth	5	253.4	258.9xd	275.4	-0.3	5.07
BG Europe	5	99.29	99.29	105.6	-0.2	1.73
BG Conv & Gen	5	67.81	69.39	73.81	+0.03	7.05
BG British Gwth	5	40.77	40.77	43.37	+0.18	0.66
Baltic see Abtrust						
Bank of Ireland Fund Mgrs Ltd (1200)F						
36 Queen St, London, EC4R 1BN 01-236 4210						
Brit & O'seas	5	131.3	137.0	145.0	-1.10	1.68
Income Plus	5	66.95	72.54	76.76	-0.94	3.16
Inv Trusts	5	73.35	80.25	84.82	-0.33	1.22
Capital Gwth	5	65.74	70.77	74.89	-0.89	3.22
W'wide Opps	5	64.66	66.88	70.75	+0.29	2.83
Barclays Unicorn Ltd (1000)H						
Unicorn Hse, 252 Romford Rd, E7 01-534 5544						
Unicorn America	5¼	76.96	76.96	82.09	-1.22	1.69
Do Aust Acc	5¼	198.8	200.1	213.4	-4.1	1.00
Do Aust Inc	5¼	138.6	139.4xd	148.7	-2.9	1.00
Do Capital	5¼	80.04	80.04	85.38	-0.51	3.20
Do Euro Gwth Acc	5¼	64.46	64.78	69.10	-0.80	1.07
Do Euro Gwth Inc	5¼	63.79	64.12	68.39	-0.79	1.07
Do Exempt	3	58.62	59.15	63.09	-0.19	4.41
Do Extra Income	5¼	93.98	95.53	101.9	-0.3	5.10
Do Financial	5¼	67.06	68.50xd	73.07	-0.26	3.05
Do 500	5¼	354.4	363.3	387.5	-0.7	2.69
Do General	5¼	166.0	168.4	179.6	-0.5	3.34
Do Gilt & Fxd Int	3¼	52.47	52.76xd	54.39	+0.09	9.03
Do Growth Acc	5	206.9	210.9	225.0	-0.6	1.87
Do Income	5¼	405.9	412.0	439.5	-0.8	4.05
Do Intl Income	5¼	48.73	49.03xd	52.30	-0.78	3.95

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Spec Sits	5	63.71	63.71	67.85	(z)	1.45
European Growth	5	18.16	18.16	19.34	(z)	1.29
International	5	93.34	93.34	99.40	(z)	0.99
Japan	5	140.5	140.5	149.6	(z)	0.01
Pacific	5	225.5	225.5xd	240.1	(z)	0.19
Secs of America	5	187.4	187.4	199.5	(z)	1.01
W'wide Asset Val	5	27.05	27.05	28.80	(z)	1.04
Specialist Trusts						
Asset Value	5	317.9	320.9	341.7	(z)	0.91
Conv & Gilt	5	39.58	40.16	42.76	(z)	5.02
Smaller Co's	5	171.6	171.6xd	182.7	(z)	2.21
2nd Smaller Co's	5	195.9	195.9	208.6	(z)	1.89
Recovery	5	100.8	100.8	107.3	(z)	2.90
Met Min & C'dty	5	114.2	114.2	121.6	(z)	1.36
O'seas Earnings	5	208.5	208.5xd	222.0	(z)	3.15
Technology	5	89.11	89.11	94.90	(z)	1.36
UK Special Sits	5	262.1	262.1	279.1	(z)	2.58
Bishopsgate Progressive Mgmt Co (1200)F						
15 St James' Place, London SW1A 1NW 01-493 8111						
Progressive Inc	5	£15.56	£15.86	16.74	-0.12	1.26
Progressive Acc	5	£21.84	£22.27	23.50	-0.16	1.26
International Inc	5	£16.15	£16.15	17.04	—	1.69
International Acc	5	£20.03	£20.03	21.14	—	1.69
Can & Foreign Inc	5	189.5	189.5	200.0	—	0.92
Can & Foreign Acc	5	211.2	211.2	222.9	—	0.92
Special Sits Inc	5	163.6	163.6	172.7	—	2.39
Special Sits Acc	5	163.6	163.6	172.7	—	2.39
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F						
5 Giltspur St, London EC1A 9DE 01-248 4400						
Brewin Capital	5½	184.9	196.1xd	208.6	.....	1.50
Brewin Dividend	5½	100.0	104.5	111.1	.....	5.62
Brewin Int Gur Inc	5½	210.3	220.8xd	234.8	.....	5.49

JOTTER PAD

CROSSWORD

No. 6,686 Set by PROTEUS



ACROSS

1 Ship's knife for instance (6)
4 America finding mixed fuel practical (6)
8 The German strain of crane, perhaps (7)
9 Lower lease on Irish county (3,4)
11 A doctor when sorrowful – or high-ranking diplomat (10)
12 Specialised knowledge from Montreal or Edmonton (4)
13 Fish caught by king in widest part of boat (5)
14 Where money may be made by girl in dole fiddle (8)
16 Security arrangement for bird on rocks (4,4)
18 Bump into boat (5)
20 Burlesque on Saint Christopher (4)
21 Excellent form for an infant? (5,5)
23 To importune is therefore lawful (7)
24 Smallest part in any case of dissection (7)
25 Deny being born carrying a gun (6)
26 Mace-bearer having to live with bad deal (6)

DOWN

1 The best point about runner (5)
2 Group of houses on land in front of church (7)
3 Chap cut out initially to be tax official (9)
5 Animal guide (5)
6 Tricky sort of musician (7)
7 Common game but a traffic hazard (3,6)
10 Modern business project proving risky undertaking (9)
13 Fail completely in making analysis (9)
15 Poet accepts return of pipe to society girl (9)
17 Appropriate to work of tailor (7)
19 Connected by marriage we are told (7)
21 Old county stone (5)
22 Measure doctors up for battle (5)

Solution to Puzzle No.6,685

HONOUR ESOTERIC
A E L C A E A
LARYNX CHOWMEIN
F V A O O S F T
TREK ARGON ZERO
E E A C L S R N
RUNOFTHEMILL
M D I E A A B U
CROSSSECTION
T P E T T K L D
IRIS CRUET FLEE
N P O A R L H R
SEPARATE RECOIL
E I A E A O A
LANDLADY OFFKEY

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd (1000)H

Target Hse, Gatehouse Rd, Aylesbury, Bucks
Admin. 0296 394000 Dealing: 01-379 0860

	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	65.44	65.44xd	70.03	-0.36	1.17
Australia	8.408	8.410	8.980	[illegible]	0.10
Commodity	82.35	82.35	88.06	-0.48	1.01
Convertible	149.8	152.4	163.0	+1.6	5.34
Equity	149.7	149.7xd	160.0	-0.1	3.03
Euro Spec Sits	78.42	78.42	84.37	-1.17	1.39
Financial	31.71	31.71	34.10	-0.00	1.84
Global Opps Inc	58.00	58.05	62.59	-0.31	1.38
Global Opps Acc	58.00	58.05	62.59	-0.31	1.38
Gold Income	56.79	56.79	60.99	-0.37	0.82
Gold Acc	104.6	104.6	112.3	-1.1	0.82
Income	107.4	107.4xd	115.5	+0.3	4.67
Japan	115.6	115.6	124.6	-3.0	0.10
Pacific Income	114.0	114.0	122.4	-2.4	0.87
Pacific Gr Dv	141.4	141.4	151.9	-3.0	0.87
Preference Share	24.66	24.66xd	26.56	-0.07	6.88
Special Sits	104.2	104.2	111.8	-0.3	0.56
Technology	41.30	41.30	44.55	-0.23	0.10
UK Capital	91.84	91.84	98.94	-0.11	1.25
World Income	92.01	92.01xd	99.04	-0.21	5.08
Worldwide Capital	146.9	146.9xd	158.1	-0.9	1.13
Equity Exempt	116.1	116.1xd	124.8	+0.6	2.46
Equity Exempt Acc	220.4	220.4	236.8	+1.2	2.46

Templeton Investment Mngmt (1000)

20 Copthall Avenue, EC2R 7PA. 01-588 6064

Intl Pen & Ch Unt	91.10	91.39	95.41	-0.89	—

Thornton Unit Managers Ltd (1000)F

33 Cavendish Sq, London W1M 7HF 01-493 7262
Dealing 01-493 6949

American Opps	41.100	41.10	43.67	-0.75	1.26
(Accum Units)	42.00	42.00	44.63	-0.76	1.26
European Opps	41.80	41.95	44.75	-0.60	1.06
(Accum Units)	42.03	42.19	45.00	-0.60	1.06
Far Eastern Opps	90.00	90.00	95.63	-1.40	0.45
(Accum Units)	90.38	90.38	95.92	-1.41	0.45
Golden Opps	38.80	39.11	41.72	-0.63	1.07
(Accum Units)	39.06	39.38	42.00	-0.64	1.07
Intl Hi-Yield	46.75	47.02	50.15	-0.54	3.94
(Accum Units)	47.25	47.49	50.66	-0.55	3.94

INSURANCES

AA Friendly Society

(Investment Mngt M & G Inv Mngt Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy July 8	—	141.4	—	—

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	242.3	255.1	—	—
Equity Ser. 1	115.7	121.8	-0.2	—
Prop. Acc. Ser 2	350.9	369.4	—	—
Equity Ser 2	131.4	138.4	-0.2	—
Selective Acc	284.2	299.2	-0.2	—
Prop. Ser. 4	276.0	290.6	—	—
Equity Ser. 4	133.5	140.6	+0.1	—
Fixed Int. Ser. 4	210.6	221.7	+0.5	—
Indexed Inv. Ser. 4	119.7	126.1	-0.1	—
American Ser. 4	266.3	280.4	-3.0	—
High Inc. Ser. 4	378.1	398.0	-0.2	—
Japan Ser 4	270.3	284.6	-4.4	—
Man. Ser. 4	374.4	394.2	+0.2	—
Money Ser. 4	216.6	228.1	+0.2	—
European Ser 4	94.0	99.0	-0.5	—
Pension Funds				
Property	466.2	490.9	+0.2	—
Equity	952.3	1002.5	+0.3	—
Selective	302.7	318.7	-0.2	—
Managed	683.2	719.2	+0.6	—
Security	397.5	418.5	+0.7	—
Fixed Int	235.4	247.8	+0.8	—
European	129.3	136.2	-1.2	—
American	220.4	232.0	-3.4	—
Japan	287.5	302.7	-6.8	—
Indexed	127.0	133.7	-0.1	—
International	138.5	145.8	-1.0	—
Ethical	103.5	109.0	+0.1	—
High Income	100.6	105.9	-0.1	—

Abtrust Management Ltd

20, Chiswell St, London, EC1Y 4TV 01-374 6801

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Growth	301.89	317.78	—	—
Managed Income	134.68	141.77	—	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	270.6	284.9	......	—
Man Pens Inc & Cas Fds	347.3	365.6	......	—
Money Fund	113.1	119.1	......	—
Pens Mngd Fd (Init)	92.3	97.2	......	—
Pens Mngd Fd (Acc)	106.0	111.6	......	—
Pens FT30 Fd (Init)	130.2	137.1	......	—
Pens FT30 Fd (Acc)	149.5	157.4	......	—
Pens O'seas MgFd(Init)	61.3	64.6	......	—
Pens O'seas MgFd(Acc)	70.4	74.2	......	—
Pens Fxd Int Fd (Init)	106.4	112.0	......	—
Pens Fxd Int Fd (Acc)	122.2	128.7	......	—
Pens Deposit Fd (Init)	101.5	106.9	......	—
Pens Deposit Fd (Acc)	116.6	122.8	......	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	101.0	106.0	−2.0	—
Building Soc Fd	162.0	171.0	......	—
Balanced	247.0	260.0	......	—
Deposit	162.0	171.0	......	—
European	128.0	135.0	−2.0	—
GT Managed	154.0	163.0	−2.0	—
Gartmore Mngd	103.0	109.0	−1.0	—
German	95.0	100.0	+1.0	—
Gilt	168.0	177.0	......	—
High Inc	112.0	118.0	......	—
International Equity	160.0	169.0	......	—
Japan	219.0	231.0	−4.0	—
Managed	55.0	58.0	......	—
Property	258.0	272.0	......	—
R W Imperial Gold	132.0	139.2	......	—
UK Equity	328.0	346.0	+1.0	—
Pension Funds				
American	131.0	138.0	......	—
Building Soc. Fd.	153.0	162.0	—	—
Balanced	188.0	198.0	......	—
Deposit	151.0	159.0	......	—
European	136.0	153.0	......	—
GT Managed	166.0	175.0	......	—
Gartmore Mngd	100.0	106.0	......	—
German	89.0	94.0	......	—

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Prufund				
Managed July 13	208.2	216.9	......	—

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fd	440.4	463.6	−0.9	—
Equity Fd	892.7	939.7	−2.0	—
Intnl Fd	306.2	322.4	−4.8	—
Fixed Int. Fd.	361.1	380.2	+1.4	—
Prop. Fd	333.7	351.3	......	—
Cash Fd	238.2	250.8	+0.1	—
Pacific Basin Fd	173.0	182.2	−4.3	—
North American Fd	125.4	132.1	−0.7	—
European Fd	127.6	134.4	−1.3	—
Holborn Balanced Gwth Fd	102.8	108.3	+0.1	—
Holborn Strategic Gwth Fd	101.7	107.1	+0.1	—

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	476.9	502.1	+1.0	—
Equity	687.8	724.0	+3.9	—
Global Equity	197.7	208.2	−2.5	—
Fixed Interest	373.7	393.4	+1.5	—
Property	325.3	342.5	+0.1	—
Cash	141.7	149.2	+0.1	—
Index Linked Gilt	165.2	173.9	+1.0	—
Guaranteed	9.62	10.37	......	—
International Money	186.6	196.5	+0.1	—
North American Fd	57.0	60.1	−0.9	—
Japanese Fund	119.7	126.0	−2.2	—
European Fund	70.0	73.7	−0.7	—
Special Situations Fd	103.7	109.2	−0.4	—
Communications Fund	83.8	88.3	−1.1	—
Smaller Cos Fund	100.4	105.7	−0.2	—

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Discretiry July 15	£129.78	133.53	......	—
Equity Fund July 15	£142.39	146.70	......	—
Intl Fund July 15	£21.34	22.05	......	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99½	83	Redemption 3pc 1986-96	99	.....	3.03	7.65
100¼	99¾	Treas. 9½pc '88	99¾	+⅛	9.53	10.55
102	100¼	Treas 11½pc 1989	100xd	+	11.43	10.47
101	99	Treas 9½pc Cnv 1989	99	+	9.57	10.44
97½	95	Treas 3pc 1989	96	+	3.10	7.11
102	99	Treas 10½pc 1989	100	+	10.49	10.33
102	99	Exch. 10pc 1989	99xd	+¼	10.03	10.33
103	100	Exch 11pc 1989	100	+	10.93	10.36
97	95	Treas 5pc 1986-89	95	+	5.21	8.43
104	100	Exch 10¼pcCv '89	100	+	10.23	10.04
107½	103	Treas 13pc 1990‡‡	103	+	12.54	10.25
104½	100	Exch 11pc 1990‡‡	101¼xd	+	10.87	10.14
107	102¼	Exch. 12½pc 1990	103	+	12.10	10.27
93	91	Treas. 3pc 1990	91	+	3.27	7.93
99	97¼	Treas 8¼pc 1987-90‡‡	97	+	8.47	9.79
102¼	97¼	Treas. 8pc Cv 1990‡‡	98	+	8.16	9.08
103	98	Treas. 10pcCv 1990	99	+	10.06	10.28
91	88	Exch 2½pc 1990	89	+	2.80	7.53
107	102	Treas 11¾pc 1991	103	+	11.39	10.27
95	92	Funding 5¾pc '87-91‡‡	92	+	6.22	8.92
90	87	Treas. 3pc 1991	88	+	3.40	7.75
105	99	Treas 10pc Cv '91‡‡	100	+½	9.990	9.970
107	101	Exch. 11pc 1991	102	+	10.78	10.22
98	93	Treas. 8pc 1991	94	+	8.50	10.09
113	107	Treas 12¾pc 1992‡‡	107½xd	+	11.85	10.10
104	99	Treas 10pc 1992	99¾xd	+	10.02	10.06
98	93	Treas. 8pc 1992‡‡	93	+	8.54	10.04
106	100½	Treas 10½pc Cv 1992‡‡	101	+	10.38	10.11
86	83	Treas. 3pc 1992	84	+	3.57	7.80
112	106	Exch. 12¼pc '92	106xd	+	11.46	10.15
117	110	Exch 13½pc 1992	110	+	12.17	10.19
97	92	Treas 8¼pc 1993	93xd	+	8.82	10.06
105	99	Treas 10pc 1993‡‡	99	+	10.00	9.99
115	108	Treas 12½pc 1993‡‡	109	+	11.45	10.09
		Five to Fifteen Years				
93	89	Funding 6pc 1993‡‡	90	+	6.66	8.40
121	114	Treas 13¾pc 1993‡‡	114	+	11.99	10.11
101	92	Treas. 8½pc 1994	93xd	+	9.07	10.00
125	117	Treas 14½pc 1994‡‡	118	+	12.20	10.02
120	113	Exch 13½pc 1994	114	+	11.82	10.17
105	99¼	Treas. 10pc Ln. 1994‡‡	100	+	9.99	9.97
116	109	Exch. 12½pc 1994	110xd	+	11.33	10.18
101	95	Treas 9pc 1994‡‡	95	+	9.38	9.87
114	107	Treas 12pc 1995	108xd	+	11.05	10.16
83½	78½	Exch 3pc Gas 90-95	80	-2¼	3.75	6.71
106	100	Exch. 10¼pc 1995	101xd	+	10.15	10.04
120	112	Treas 12¾pc 1995‡‡	113	+	11.22	10.06
126	118	Treas. 14pc '96	119xd	+	11.73	10.23
101	95	Treas. 9pc 1992-96‡‡	95	+	9.39	9.78
133	125	Treas 15¼pc 1996‡‡	126	+	12.04	10.19
123	115	Exch 13¼pc 1996‡‡	116	+	11.35	10.09
105	98	Conversion 10pc 1996	99	+	10.02	10.01
124	116	Treas 13¼pc 1997‡‡	117xd	+	11.25	10.08
108	101½	Exch 10½pc 1997	102xd	+	10.22	10.01
98	92	Treas 8¾pc 1997‡‡	93	+	9.35	9.82
98	92½	Tr 8¾pc Ln "C" 1997‡‡	93	+	9.35	9.82
134	127	Exch 15pc 1997	127	+	11.73	10.26
104	97	Exch. 9¾pc 1998	98xd	+	9.88	9.95
87	81	Treas 6¾pc 1995-98‡‡	83	+	8.10	9.37
140¼	132	Treas. 15½pc '98‡‡	133	+	11.64	10.18
118	111	Exch. 12pc 1998	112	+	10.68	10.03
103	96	Treas 9½pc 1999‡‡	98	+	9.64	9.71
120	113	Exch. 12¼pc 1999	114	+	10.71	10.02
109	102	Treas. 10½pc 1999	103	+	10.11	9.91
107	100	Conversion 10¼pc 1999	102½	+	10.01	9.88
100	86	Treas. 8½pc Ln 2000‡‡	92xd	+	9.23	9.65
99	93	Conversion 9pc 2000‡‡	95	+	9.44	9.67
126	119	Treas. 13pc 2000	120xd	+	10.80	10.03
106	99	Treas 10pc 2001	101	+	9.85	9.77
129	122	Treas. 14pc '98-01	123	+	11.36	10.19
104	98	Conversion 9¾pc 2001	100xd	+	9.74	9.74
118	111	Exch. 12pc '99-02	112xd	+	10.68	10.06
107	100	Conversion 10pc 2002	102	+	9.80	9.71
105	98	Treas 9¾pc 2002	100	+	9.71	9.70
99	93	Exch. 9pc 2002	95	+	9.47	9.63
		Over Fifteen Years				
131	123	Treas. 13¾pc 2000-03	125xd	+	10.98	10.07
108	100	Treas 10pc 2003	102	+	9.72	9.63
117	109	Treas. 11½pc 2001-04	111	+	10.31	9.86
108	100	Treas. 10pc 2004	103	+½	9.68	9.58
59	54	Funding 3½pc '99-04	57	+	6.10	8.39
104	97	Conversion 9½pc 2004	99	+	9.52	9.52
104	97	Conversion 9½pc 2005	99	+	9.51	9.51
113	105	Exch. 10½pc 2005	108	+	9.70	9.51
128	119	Treas. 12½pc 2003-05	121	+	10.26	9.72
92	85	Treas. 8pc 2002-06‡‡	88	+	9.08	9.57
106	99	Conversion 9¾pc 2006	102	+	9.53	9.47
121	113	Treas. 11¾pc 2003-07	115¾xd	+	10.16	9.71
97	89	Treas 8½pc 2007‡‡	93	+	9.14	9.28
137	128	Treas. 13½pc '04-08	130½	+	10.35	9.68
101	94	Treas. 9pc 2008‡‡	97	+	9.22	9.26
92	85	Treas 8pc 2009	88	+	9.03	9.23
101	93	Conv 9pc Ln 2011‡‡	97	+	9.22	9.24
68	62	Treas. 5½pc 2008-12‡‡	65	+	8.40	9.03
89	82	Treas. 7¾pc 2012-15‡‡	85xd	+	9.06	9.21
130	121	Exch. 12pc '13-'17	125	+	9.54	9.32

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		Undated				
44	41	Consols 4pc	42xd	+	9.34	–
39	37	War Loan 3½pc‡‡	38	+⅛	3.20	–
52¼	48	Conv. 3½pc '61 Aft	51	+	6.84	–
33	30	Treas. 3pc '66 Aft	31	+	9.43	–
28	26⅛	Consols 2½pc	26	+	9.28	–
28	26⅛	Treas. 2½pc	26	+	9.28	–
		Index-Linked				
		(b)			(1)	(2)
121	117½	Treas 2pc IL '90(84.6)	121xd	+	0.67	2.54
103	99	Do. 2pc '92‡‡(97.8)	102	+	2.07	2.85
139	127	Do. 2pc '96(67.9)	139	+	2.86	3.22
114	103	Do 2½pc '01(78.3)	113	+	3.64	3.90
111	101	Do. 2½pc '03(78.8)	110	+	3.73	3.96
112	102½	Do. 2pc '06(69.5)	111xd	+	3.79	3.98
105	95	Do. 2½pc '09(78.8)	103	+	3.81	3.99
109	99	Do. 2½pc '11(74.6)	107xd	+	3.81	3.98
90	82	Do. 2½pc '13(89.2)	89xd	+	3.81	3.97
98	88	Do. 2½pc '16(81.6)	96xd	+	3.78	3.94
95	87	Do. 2½pc '20(83.0)	93	+	3.74	3.87
80	73	Do. 2½pc '24‡‡(97.7)	79	+	3.68	3.81

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1987:103.4 and for June 1988:106.6

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
109	100	African Dv Bk 11¼ Ln 2010	103	+¼	10.72	10.66

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
10⅞	754p	Transworld Corp $5	10¼	−¼	20c	—	1.1
20¼	14½	TRINOVA Corp	16	−¼	56c	—	2.1
19	15⅛	USX $1	18½	−¼	$1.20	—	3.8
23	17⅝	Utd Technologies	22½		$1.60	—	4.2
33½	25¾	US West	32¼	−1	$3.52	—	6.4
21½	16⅞	Waste Management $1	20⅛	−⅛	48c	—	1.4
16⅞	12⅞	Whirlpool $1	16¼	−¼	$1.10	—	4.0
32¼	19¾	Woolworth $3½	29⅝	−¼	$1.64	—	3.3

CANADIANS

High	Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	227p	−1	—	—	—
32p	11p	Abbot Energy Corp	26p		—	—	—
14⅛	990p	Amer Barrick Res	11½	−⅛	—	—	—
10p	3½p	American Lightwave	5p		—	—	—
41p	18½p	Armeno	19½p		—	—	—
75p	45p	Augmitto Expln	68p	−1	—	—	—
13⅞	10⅝	Bk. Montreal	13¼	−⅛	$2.00	—	7.1
693p	514p	Bk. Nova Scot.	688p	−9	76c	—	5.4
19¼	15¼	BCE	18⅛	−⅛	$2.44	—	6.6
715p	541p	Bow Valley	688p	+6	40c	—	2.8
13⅝	10½	Brascan	13½	−⅛	88c	—	3.2
322p	129p	Breakwater Res.	258p	−6	10c	—	1.9
11⅞	601p	Can. Imp Bank	11⅝	−⅛	$1.16	—	4.9
11½	841p	Can. Pacific	11¼	−⅛	60c	—	2.6
41½	40	Do 4pc Deb £100	40½		4%	—	9.9
515p	362p	Central Capital "A"	510p	−1	—	—	—
465p	445p	Corona Corp	467p	−7	—	—	—
825p	288p	Cons. TVX Min	418p		—	—	—
365p	76p	Danbus Res	301p		—	—	—
686p	430p	Derlan Inds	657p	−21	11.75c	—	0.9
14⅛	984p	Echo Bay Mines	12¼	−⅛	$0.07	—	0.3
45p	25p	Energex Minerals	36p		—	—	—
119p	83p	Euro-Asia Capital Ltd	116p	−3	—	—	—
386p	222p	Galactic Resources	326p		—	—	—
125p	99p	Geodome Res	103p	−1	—	—	—
394p	206p	Granges Expln	258p	+6	—	—	—
16½p	8½p	Gt Pacific Res	12p		—	—	—
903p	652p	Gulf Canada	885p	−11	52c	—	2.9
12⅞	816p	Hawker Sid Can	12¼	−⅛	$1.08	—	4.3
590p	344p	Henlys Group	590p	+49	—	—	—
957p	765p	Hudson's Bay	940p	−6	60c	—	3.1
27⅞	22⅞	Imperial Oil	27⅝	−¼	$1.80	—	3.2
20⅞	10⅛	Inco	20¼	−½	US$0.80	—	2.3
713p	462p	Inland Nat. Gas $1	590p	−57	60c	—	4.9
250p	150p	Madeleine Mines	204p	−5	—	—	—
260p	126p	Muscocho Expln	201p	−5	—	—	—
167p	75p	Ntnl Business Syst.	129p	−2	—	—	—
245p	110p	Nevada Goldfields	231p	−3	—	—	—
12	787p	Rio Algom	11½	−⅛	$1.30	—	5.5
16⅝	11½	Royal Bk. Can.	15¼	−⅛	$2.08	—	6.4
34⅜	26⅜	Seagram	33⅝	−1	US$1.20	—	2.1
361p	177p	Sonora Gold Corp	177p	−3	—	—	—
92p	18p	Spiral Eng	98p	+11	—	—	—
150p	35p	Tam Pure Tech. Corp	130p	−5	—	—	—
16¼	11⅞	Toronto-Dom. Bk	15¼	−⅛	$1.12	—	3.5
64p	14p	Trans Atlantic Res	29p	+2	—	—	—
684p	566p	Trans Can Pipe	651p	−27	68c	—	5.1
205p	127p	Varity Corp	197p	−2	B—	—	—

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
239	132	ANZ $A1	232	−7	6t021c	3.1	4.3	7.9
276	233	Allied Irish	273	−3	Q65.3%	♦	5.0	♦
£127	£103	Algemene Fl.10	£125	−⅛	Q27%	1.9	6.0	—
73	56	Anglo Irish	70		Q19.69%	1.2	5.9	21.9
89	62	Ansbacher (H.) 1p	85		2.0	—	3.1	—
£39	£25	Banco de Bilbao S.A.	£36⅞	−⅛	Q67.2%	3.1	4.5	7.1
£35	£27	Banco de Santander	£31⅛		Q22%	2.4	1.7	24.4
325	154	Bank Ireland Ir£1	253	−3	Q15.67%	3.3	5.2	7.9

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

31	15	Publishing Hldgs 5p. γ	21	+1				12.6
236	150	Royal Sovereign 10p. γ	233	.....	4.6	1.9	2.6	21.8
26	22½	Scott Pickford 10p... γ	25½	.....	3.1	0.7	16.2	13.2
91	68	Seacon Hldgs........ γ	90	+5	–	–	–	–
27	18	Staks Hldgs. 5p..... γ	22	+1	–	–	–	♦
4½	3	Swanyard Studios 1p γ	3¼	+¼	–	–	–	♦
285	200	Takare............. γ	281	–3	b1.0	8.1	0.5	28.9
70	43	Theme Holdings.... α	63	.....	♦1.1	♦	2.3	♦
36	26	Tomorrows Leisure 20p γ	30	–1	–	–	–	12.0
25	13½	Tullow Oil 10p..... γ	24	.....	–	–	–	–
135	115	UPL Group 10p..... γ	115	–2	L2.41	♦	2.8	♦
155	123	Unit Group........ γ	155	+1	5.0	♦	4.3	♦
109	85	Video Tape Rec 5p. γ	109	+4	L2.3	2.3	2.8	15.7

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ▪ Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ŧ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ▌ No par value

B.Fr. Belgian Francs. Fr. French Francs ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	71	–1
Craig & Rose £1... γ	700	.....
Finlay Pkg. 5p.... γ	85	–1
Holt (Jos) 25p.... γ	£11⅛	+⅛

IRISH

Nat. 9¾% 84/89..	£100½	.....
9pc Cap Ln. 1996..	£98⅞	.....
Fin. 13% 97/02....	£119	.....
Arnotts.......... γ	573	.....
CPI Hldgs......... γ	190	.....
Carrol Inds....... γ	165	+14
Hall (R. & H.).....	160	.....
Helton Hldgs...... γ	54	.....
Irish Ropes....... γ	166	.....
Unidare.......... γ	460	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	38
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	56
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Large block trades underpin lethargic equity sector while Gilt-edged steady ahead of bank lending news

Account Dealing Dates

*First Dealings:

Option Declarations:

Last Dealings:

Account Day:

*New time dealings may take place from 9.00 am two business days earlier

THE UK securities markets stood up manfully against a sea of uncertainties yesterday, with equities steady until the close of the session, when a dull start by Wall Street turned London's blue chip stocks easier.

However, the investment mood remained very cautious as the markets awaited the release today of the UK money supply and bank lending data for last month.

The City's worries ranged from the suggestions of a split in Government views on interest rate policy to the heavy fall in the Tokyo equity market.

However, firmness in sterling, together with an easing in rates in the London money markets, helped soothe fears of another early increase in base rates. Equities brushed off the setback in Tokyo, while Gilt-edged attracted some far Eastern support in early trading.

The stock market opened lower but rallied when selective interest was disclosed by the movement of substantial lines of stock across the Seaq electronic network. Sizeable blocks of GEC, Lonrho, and Guardian Royal Exchange shares were traded at prices close to market levels. Although these appeared to represent institutional sales, it was also clear that buyers were not hard to find for these high quality shares.

Once these deals had been completed, market activity died away again. Major market indices moved around their overnight levels until Wall Street's opening trend turned the London market lower.

At the close, the FT-SE 100 Index was 4.5 down at 1844.8, with 1840, regarded by chart specialists as the next support level, still in place.

Seaq volume was boosted to 447.7m shares by the block trades recorded early in the day. But for most of the session, it was left to the handful of special situation stocks to provide the interest.

Unilever (754,000 shares), Bass (517,000), and many other well-known names, had a slack day. The market held its nerve, however, and consumer-related issues continued to bear up against the threat to consumer spending of increases in interest charges, and in particular, mortgage rates.

With oil prices active but irregular on reports of continued conflict in the Gulf, oil stocks were subdued. Investment views of the moves towards an Iran/Iraq ceasefire remained mixed, with several UK analysts suggesting that a Gulf peace will help restore the Opec cartel and thus act bullishly for oil prices. Shell, however, ended little changed as Wall Street's weakness bore down on US-favoured stocks.

UK Government bonds opened firmly as Japanese demand sent marketmakers scurrying to cover their positions. The buying spree, which put ¼ on long dated prices, was soon over, however, and the market settled down to await today's announcement of the UK bank lending figures with some trepidation.

Index-linked Gilts put on as much as ½ point as some investors expressed concern over inflation worries. But turnover in this sector was light.

The City is braced for an increase in UK bank lending from £5.4bn to £6.8bn in June. A higher total will ring alarm bells, in view of the revived concern over domestic inflation which lies behind the market's worry that this week's half point rise in base rates did not provide a clear enough statement of the UK Government's will to fight inflation.

GEC easily topped the list of active stocks with turnover reaching 22m shares. The bulk of this came in a flurry of trades just before midday when a leading UK securities house was thought to have carried out a series of deals involving GEC in ex-dividend and cum-dividend form.

A block of 5m was sold at 150½p and another of 6m at 150p. These trades were quickly followed by purchases of 1m at 158p and 5m at 158p. GEC shares closed a net ½ higher at 159p.

Atlantic Computer, the computer leasing group where trading in the shares was suspended on Monday, were re-quoted after details of the agreed bid from British & Commonwealth were unveiled. Atlantic shares surged ahead to 510p prior to ending the session a net 132 higher at 495p.

The terms of the offer, a mixture of cash, new B & C shares and unsecured loan stock, value Atlantic at some 520p a share or £416m for the group. B & C has already received acceptances of more than 35 per cent of Atlantic shares, which together with approximately 10 per cent purchased in the market yesterday, give them some 45 per cent.

B & C, on the other hand, came under pressure on the news as well as a statement that profits for the first half are unlikely to show any improvement on the same period last year and dipped to 22 to 241p.

Yale & Valor continued to rival RHM as the most talked-about bid situation, with rumours circulating that an announcement from Ingersoll Rand is imminent. One dealer revealed that there were buyers after hours on Monday paying over £5 per share, but yesterday there was some profit-taking.

At one stage the shares were down 12 at 480p before a resurgence of buying interest sent them to 486p. Absence of news late on left the shares at 483p, a fall of just 9 on the day.

Ranks Hovis McDougall traded quietly amid widespread expectations that Goodman Fielder will shortly make a bid. For most of the day the shares stood at 460p before dealers grew confident that an announcement would be made today and began chasing stock. By the close the shares had settled at 468p, up 10 on the day.

Estimates put the bid at 475p, with AB Foods remaining the favourite to launch a counter-bid despite Press speculation that this was unlikely.

The oil and gas leaders "were looking wobbly" at the close, according to traders who said the decline on Wall Street had prompted a bout of selling pressure in the sector. BP "new" were heavily traded (16m) and settled 1¼ off at 60½p while the "new", 5.5m traded, dipped 2 to 258p.

British Gas were barely changed at 181½p on turnover of 7.8mahead of a series of major presentations to US institutions starting tomorrow.

International stocks were described by one dealer as "erratic", with uncertainty in the foreign exchange markets depriving shares of clear direction. Investors are staying on the sidelines, unwilling to take bets as prices are moved on the basis of sentiment rather than genuine business. ICI was typical of the current mood, the shares edging down tuppence to £10⅞ in modest trading ahead of figures on July 28.

Reckitt & Colman was also typical with its fall of 8 to 921p. Turnover was a paltry 31,000 shares. Beecham held up well with a fall of 2 to 475p in respectable volume of 1.2m shares as dealers reported some US interest and suggested that there may have been switching into the stock out of Fisons. Fisons shaded tuppence to 256p.

Hanson fell a penny to 142½p in unremarkable turnover of 1.9m. Several leading brokers have recently upgraded their full year profit forecasts on the back of an improved currency outlook and Hanson's good trading position.

The clearing banks continued their recent progress, with dealers reporting a fresh wave of "genuine" investment businessin the sector, particularly in Barclays, ahead of the interim reporting season which kicks of next week.

There was a substantial two-way business in Barclays, reporting a week tomorrow, which were said to be a major beneficiary of any upward moves in UK interest rates. Barclays shares rose 3 to 418p on turnover of 3.9m which included a single trade of 1.1m at 417p, and one of 658,000 shares at the same price.

NatWest edged up 4 to 589p and Midland 5 to 440p. In the merchant banks Singer and Friedlander dropped 4 to 82p as British & Commonwealth's £416m purchase of Atlantic Computer prompted market fears that a B & C bid for the merchant bank may be some time away.

A flurry of speculative buying interest, particularly in Abbey Life, boosted the life assurance sector but this petered out late in the session. Abbey were bought up to 318p and closed a net 3 higher at 317p.

Composites showed Guardian Royal Exchange unaltered at 187p despite a heavy turnover which included a single trade of 1.6m at 186p and several sizeable deals shortly afterwards.

Brokers included a handful of features, especially Bradstock, the specialist "niche" Lloyd's broker, which spurted 16 to 230p amid market speculation that a near 15 per cent stake held by the Kuwait Investment Office could soon be on its way.

Brewery stocks were uninspired as attention stayed firmly in other sectors. Allied Lyons lost 4 to 420p, while some late institutional interest held Scottish & Newcastle's loss to a penny at 311p. Turnover was 1.7m shares.

Vaux rose 4 to 649p, but dealers said there was little to report other than mild interest in the stock.

Beatson Clark, the specialist glass and plastic manufacturer, featured with a jump of 62 to 350p in response to news of the share exchange offer from TT Group. TT Group closed 2 dearer at 263p, making the bid worth just over 350p per share.

The board of TT Group has requested a meeting with Beatson with a view to persuading the company to recommend the offer.

Granada drifted back 3 to 302p following news of the proposed £16.5m acquisition of Essoldo Group Holdings, the bingo club operator. Consideration for the deal will be settled by the issue of just over 5.63m shares which were successfully placed yesterday.

Whitecroft, still reflecting the proposed sale of its Builders Merchants activities for £34m cash, continued to make heaway and improved 5 to 314p for a two-day gain of 12. USM quoted Creighton Laboratories responded further to recent Press mention with a fresh gain of 27 at 390p.

De La Rue, a current favourite with UBS Phillips & Drew, were supported and advanced to 464p before closing a little below the best with a rise of 9 on the day at 460p. The movement also prompted a revival of stakebuilding talk. Further speculative support left CCF up 7 more at 108p, while AIM rsponded to the preliminary figures with a similar improvement to 262p.

Williams Holdings put on a firm performance closing a couple of pence dearer at 287p in a volume of some 1.8m shares. BZW, the investment house, says that a recent visit to the group's US activities confirms both the strength of underlying growth and the excellence of Williams management.

The recent strong run in British Aerospace ended as profit-taking left the shares 8 cheaper at 489p. Volume amounted to 3m.

A burst of late trading boosted Stores stocks after an uneasy morning. Although market-makers and analysts are predicting good things to come from the sector, turnover remains poor despite the presence of several popular bid stocks. "Stores are being held back by outside interests at the moment; if the sector was allowed to have its own head things could really take off," said one dealer.

Of the takeover contenders, Storehouse featured strongly with a penny rise to 248p on turnover of 2.9m after renewed talk that Mountleigh might relaunch its bid. County NatWest WoodMac has moved Storehouse off its "sell" and onto its "hold" list. GUS "A" improved ⅛ to £10⅜ ahead of Thursday's annual results, while Sears closed 1½ points higher at 128½p as the market awaits news of the Al Fayed's 10 per cent stake. Volume in Sears reached 3.2m by the close. Dixons continued to attract support - 3 better at 184p - after last week's disappointing (but discounted) results. Ward White jumped 4 to 294p just before the close, while Body Shop improved 12 to 635p in thin trading.

There were plenty of outstanding performers in an extremely active electronics area. The huge business in GEC was accompanied by substantial trades in, among others, British Telecom, Cable & Wireless and Plessey.

Telecom attracted trades totalling 4.2m but held around the 243p mark. Cable & Wireless, with almost 4m changing hands, dropped to 367p at one point before rallying to close a net 11 off at 369p as a report of a possible rights issue and apparent details of the sale of part of C & W's stake in Hong Kong Telecommunications elicited a strong denial from Mr. R.J. Olsen, C & W's finance director.

Plessey, turnover 2.8m, were a shade off at 189p ahead of a visit today by analysts to the company's semiconductor division in Plymouth.

Almost doubled preliminary profits at Northumber were offset by the £5.4m cash call which saw the shares retreat 14 to 84p.

The expected increased and "final" offer from Canadian group Gandalf for CASE materialised with the former upping its bid from £58m to £68.8m or 109p a share. CASE shares immediately raced up to close 11 higher at 98p despite the CASE board rejecting the bid.

Faced with the prospect of a sharp rise in the mortgage rate, Building shares again showed marked resilience. Some quarters suggested that this factor had been discounted, but County NatWest WoodMac is maintaining a bearish view of the sector.

Interest in RHM sent other Food stocks better, with Dalgety up 6 at 451p and Cadbury 2 better at 357p in turnover of 1.8m. Unigate recovered some of its recent fall with a rise of 4 to 319p, while Hazlewood improved 5 to 238p.

Business in Traded Options picked up slightly with 29,855 contracts traded, of which 19,426 were calls and 10,429 puts. British Gas topped the table with 1,615 calls and 2,501 puts, followed by Rolls Royce with 1,696 calls and 439 puts, and British & Commonwealth with 1,919 calls and 77 puts.

Traditional Options

- First dealings July 11
- Last dealings July 22
- Last declarations Oct 13
- For Settlement Oct 24

For rate indications see end of London Share Service

Dealers reported a quieter day's trading in the Traditional option market. Stocks favoured for the call included Tyndall Holdings, Trusthouse Forte, Smith and Nephew, Grand Metropolitan, Amstrad, Bond Corporation, Legal and General, Ferranti and Sears. No put or double options were reported.

FINANCIAL TIMES STOCK INDICES

	July 19	July 18	July 15	July 14	July 13	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.74	87.32	87.52	87.78	87.82	90.36	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.36	97.31	97.24	97.19	97.34	97.52	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1480.8	1483.3	1497.5	1496.7	1500.8	1872.0	1510.5 (11/7)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	215.8	221.1	223.7	222.0	218.1	437.1	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.54	4.49	4.49	4.49	4.48	3.07				
Earnings Yld. % (full)	11.53	11.39	11.40	11.40	11.37	7.45				
P/E Ratio (net)(*)	10.60	10.68	10.68	10.68	10.71	16.49				
SEAQ Bargains (5pm)	24,368	24,570	30,026	27,640	23,962	49,571				
Equity Turnover (£m)	-	1044.30	1568.09	1108.74	905.87	1615.67				
Equity Bargains	-	30,024	29,276	29,031	26,085	60,081				
Shares Traded (ml)	-	440.3	499.4	480.0	368.8	630.2				

S.E. ACTIVITY

Indices	July 18	July 15
Gilt Edged Bargains	140.1	125.9
Equity Bargains	194.5	189.7
Equity Value	2110.8	3169.5
5-Day average		
Gilt Edged Bargains	128.6	130.0
Equity Bargains	184.6	186.7
Equity Value	2268.7	2245.3

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1478.1	1479.5	1482.2	1482.1	1481.7	1482.2	1483.4	1483.6

Day's High 1484.5 Day's low 1476.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.50.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (78).

AMERICANS (1) Greyhound, CANADIANS (2) Healys rp., Spiral Eng., BANKS (2) Bank Scotland, Woodchester, BREWERS (6) Fuller S.T.A., Morland, Vaux, Young Brew. "A", Do. N/Vtg., BUILDINGS (1) Tysons, CHEMICALS (3) Pennorp B, Plysu, Porvair, STORES (4) Courts "A", Oliver (G.) "A", Smallbone, Sock Shop, ELECTRICALS (7) BlickCambridge Elec., Ealing Electro, P & P, Palon, Tele. Rentals, UEI, ENGINEERING (2) Braithwaite, Hill & Smith, FOODS (3) Bassett Foods, Dalgety, [illegible] Delyn Pack., FKB Grp., Usher Walker, PROPERTY (2) Laing Props., Peachey, SHIPPING (2) Graig Ship, Mersey Dk. Units, TEXTILES (1) Jerome Hldgs., TRUSTS (7) Drayton Cons., Fleming Enterprise, Overseas Inv. Tst. Wrrnts., Haw Par, Int. Inc. Tst. Jsy., Mercury Asset Mgmt., Westpool Inv., OILS (2) Hamilton Oil, Meridian Oil, MINES (3) Vogels, Ang. Am. Coal, Barrack Mines, Pasinga MngExp., Hemlo Gold Mines THIRD MARKET (2) M.L. Labs., Video Tape Rec.

NEW LOWS (18).

[illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	362	General Accident	222	Prudential	[illegible]
Abbey Life	1,300	General Elect.	22,000	Racal	[illegible]
Allied-Lyons	1,400	Glaxo	426	Rank Org.	[illegible]
Amstrad	908	Globe Investment	346	RMC	[illegible]
Argyll Group	1,600	Glynwed	683	RHM	[illegible]
Assoc. Brit. Foods	31	Granada	569	Reckitt & Colman	[illegible]
BAA	2,400	Grand Met.	1,100	Redland	[illegible]
BAT	2,500	GUS "A"	409	Reed Intl.	[illegible]
BET	835	Guardian R.E.	2,300	Reuters "B"	[illegible]
BICC	1,400	GKN	349	RTZ	[illegible]
BOC	218	Guinness	2,000	Rolls-Royce	[illegible]
BPB Inds	294	Hammerson	732	Rothmans "B"	[illegible]
BTR	1,100	Hanson	1,900	Ryl Bank Scotland	[illegible]
Barclays	4,000	Hawker Siddeley	677	Royal Insurance	[illegible]
[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	108	0	4
Corporations, Dominion and Foreign Bonds	26	4	22
Industrials	354	392	939
Financial and Properties	99	196	339
Oils	28	33	48
Plantations	0	0	12
Mines	24	84	83
Others	28	151	78
Totals	667	867	1,438

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Jul 19 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Jul 18 Index No.	Fri Jul 15 Index No.	Thu Jul 14 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	802.75	—	9.97	3.95	12.42	14.06	802.32	807.20	808.23	1015.34
2	Building Materials (29)	1002.63	—	11.23	4.22	10.95	18.65	1002.52	1011.68	1016.69	1311.78
3	Contracting, Construction (36)	1558.81	+0.1	10.57	3.45	12.37	26.91	1556.67	1570.30	1577.28	1890.50
4	Electricals (12)	2181.79	+0.3	8.65	4.57	14.29	48.13	2176.10	2183.45	2183.31	2705.69
5	Electronics (31)	1769.75	+0.6	9.61	3.37	13.26	21.33	1759.76	1757.18	1757.53	2208.20
6	Mechanical Engineering (56)	425.09	-0.4	9.59	4.11	12.93	8.32	426.62	429.70	428.23	534.60
8	Metals and Metal Forming (7)	503.42	-0.4	9.23	3.72	13.36	7.95	505.68	509.29	509.92	586.63
9	Motors (14)	284.06	-0.1	11.52	4.51	10.05	5.22	284.44	287.03	286.01	395.88
10	Other Industrial Materials (23)	1313.52	-0.1	8.67	4.24	13.45	27.43	1314.86	1327.22	1332.41	1663.94
21	CONSUMER GROUP (187)	1092.99	-0.1	9.00	3.59	14.05	17.13	1093.81	1102.26	1102.04	1375.06
22	Brewers and Distillers (21)	1099.74	-0.6	10.81	3.70	11.67	17.67	1105.94	1117.72	1114.06	1245.24
25	Food Manufacturing (22)	999.30	+0.5	8.69	3.62	14.72	17.45	993.89	997.90	1001.05	1059.76
26	Food Retailing (16)	2002.49	-0.3	8.66	3.33	15.29	21.46	2007.55	2014.12	2024.22	2608.29
27	Health and Household (12)	1856.71	-0.5	6.70	2.63	17.32	17.98	1866.09	1882.37	1878.17	2627.81
29	Leisure (30)	1331.64	-0.3	8.68	3.75	14.74	24.56	1335.66	1346.64	1347.20	1439.16
31	Packaging & Paper (17)	526.07	—	9.25	3.83	13.89	9.15	525.88	528.61	530.51	718.34
32	Publishing & Printing (18)	3482.68	-0.1	8.18	4.39	15.39	72.37	3485.95	3503.82	3518.33	4494.69
34	Stores (34)	813.24	+0.6	10.16	3.96	12.99	14.57	808.35	817.01	813.93	1138.17
35	Textiles (17)	599.39	-0.8	11.50	4.54	10.21	12.51	604.01	618.64	607.20	845.15
40	OTHER GROUPS (93)	899.82	-0.4	10.88	4.34	11.27	17.30	903.24	913.27	914.31	1168.21
41	Agencies (19)	1156.09	-0.9	7.58	2.36	16.64	15.71	1166.33	1180.46	1177.95	1764.35
42	Chemicals (21)	1086.28	—	11.12	4.52	10.99	24.96	1086.77	1093.63	1088.13	1446.26
43	Conglomerates (13)	1212.58	-0.4	10.35	4.41	11.13	20.98	1217.82	1222.18	1218.81	1510.12
45	Shipping and Transport (12)	1896.23	-0.6	11.29	4.72	11.73	34.04	1907.26	1918.98	1925.93	2463.05
47	Telephone Networks (2)	960.92	-0.6	11.40	4.64	11.19	20.38	965.89	989.42	994.16	1230.81
48	Miscellaneous (26)	1184.76	—	11.45	4.35	9.97	20.93	1184.96	1190.69	1198.59	1687.18
49	INDUSTRIAL GROUP (488)	977.21	-0.1	9.77	3.89	12.74	16.74	978.42	986.46	987.81	1241.45
51	Oil & Gas (12)	1831.87	-0.3	10.91	5.81	11.78	39.80	1838.26	1829.66	1833.28	2398.46
59	500 SHARE INDEX (500)	1049.65	-0.2	9.93	4.16	12.60	18.74	1051.28	1058.08	1058.80	1339.80
61	FINANCIAL GROUP (121)	708.42	-0.2	-	4.81	-	15.33	709.87	713.28	714.73	869.43
62	Banks (8)	688.42	+0.6	20.79	6.10	6.45	18.03	684.51	683.31	683.67	885.79
65	Insurance (Life) (8)	1049.28	-0.2	-	4.78	-	24.97	1051.17	1058.51	1063.36	1157.12
66	Insurance (Composite) (7)	547.25	-0.3	-	5.41	-	13.82	549.07	554.13	555.53	659.26
67	Insurance (Brokers) (7)	1004.94	-0.6	9.58	6.34	13.48	31.54	1010.85	1015.84	1018.63	1375.91
68	Merchant Banks (11)	357.32	-0.6	-	4.04	-	7.03	359.39	363.37	363.13	499.84
69	Property (50)	1210.79	-0.4	5.10	2.67	25.15	13.66	1216.18	1227.60	1230.60	1316.20
70	Other Financial (30)	385.80	-1.8	10.18	4.98	12.31	9.27	392.87	392.44	394.62	594.49
71	Investment Trusts (78)	924.30	-0.3	-	2.95	-	12.04	926.87	933.58	934.07	1132.76
81	Mining Finance (2)	521.90	+0.9	9.18	3.60	12.32	8.12	517.47	522.19	522.70	619.95
91	Overseas Traders (8)	1163.60	-0.5	9.90	4.80	11.87	29.22	1169.28	1182.31	1183.00	1174.64
99	ALL-SHARE INDEX (709)	961.03	-0.2	-	4.22	-	17.60	962.52	968.55	969.47	1212.95

	Index No.	Day's Change	Day's High	Day's Low	Jul 18	Jul 15	Jul 14	Jul 13	Jul 12	Year ago
FT-SE 100 SHARE INDEX ♦	1844.8	-4.5	1850.8	1842.8	1849.3	1861.5	1863.3	1871.3	1859.5	2390.5

FIXED INTEREST

	PRICE INDICES	Tue Jul 19	Day's change %	Mon Jul 18	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	119.71	+0.38	119.49	0.24	7.00
2	5-15 years	136.20	+0.40	135.59	-	7.69
3	Over 15 years	147.54	+0.58	146.68	-	6.88
4	Irredeemables	162.94	+0.36	162.36	-	7.30
5	All stocks	133.55	+0.52	132.94	0.09	7.38
	Index-Linked					
6	5 years	127.87	+0.24	127.56	-	1.12
7	Over 5 years	119.68	+0.38	119.23	-	2.13
8	All stocks	120.19	+0.36	119.76	-	2.04
9	Debentures & Loans	117.53	-0.10	117.66	0.02	6.54
10	Preference	93.21	+0.35	92.88	-	3.43

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 19	Mon Jul 18	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.44	9.76	8.05
2		15 years	9.43	9.51	9.05
3		25 years	9.20	9.26	9.04
4	Medium Coupons	5 years	10.11	10.26	9.12
5		15 years	9.67	9.74	9.26
6		25 years	9.40	9.45	9.22
7	High Coupons	5 years	10.21	10.36	9.31
8		15 years	9.84	9.91	9.33
9		25 years	9.47	9.53	9.19
10	Irredeemables		9.71	9.78	8.92
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.78	2.87	2.44
12	Inflation rate 5%	Over 5yrs.	3.89	3.91	3.75
13	Inflation rate 10%	5yrs.	1.78	1.78	2.39
14	Inflation rate 10%	Over 5yrs.	3.71	3.73	3.71
15	Debs & Loans	5 years	10.88	10.82	10.16
16		15 years	10.84	10.82	10.16
17		25 years	10.84	10.82	10.16
18	Preference		9.66	9.69	10.22

♦Opening index 1842.5; 10 am 1845.0; 11 am 1848.3; Noon 1847.0; 1 pm 1846.4; 2 pm 1846.3; 3 pm 1847.7; 3.30 pm 1849.4; 4 pm 1849.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*422)	390	33	48	58	1	[illegible]	[illegible]
	420	8	29	38	6	[illegible]	[illegible]
	460	1	10	19	42	[illegible]	[illegible]
Brit. Airways (*147)	130	18	—	—	½	[illegible]	[illegible]
	140	8	16	19	1	[illegible]	[illegible]
	160	1	6	10	15	[illegible]	[illegible]
Brit. & Comm. (*248)	240	10	22	28	2½	[illegible]	[illegible]
	260	3	11	20	17	[illegible]	[illegible]
[illegible]							

July 19 Total Contracts 29,855 Calls 19,426 Puts 10,429
FT-SE Index Calls 882 Puts 730
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices July 18

MONTREAL
Closing prices July 18

2800	BombrdrA	$11¾	11½	11½ − ⅛
24256	BombrdrB	$11¾	11½	11⅝ − ⅛
700	CB Pak	$19¼	19¼	19¼ − ¾
1946	Cascades	$06	05⅞	05⅞ − ⅛
11871	ConBath	$16½	16¼	16¼ − ½
4536	DomTxtA	$16⅞	16½	16½ + ¼
1200	MntTrst	$16¾	16⅝	16⅝ + ⅛
55728	NatBk Cda	$11	10⅞	10⅞
41912	Noverco	$11⅜	11¼	11¼ − ⅛
12585	Power Corp	$14	13¾	13¾ − ⅛
4124	Provigo	$09⅞	09½	09⅞ + ⅛
104822	Royal Bank	$32¼	31¾	32 − ⅝
1032	SteinbrgA	$31¼	31¼	31¼ − ½
8120	Videotron	$11½	11⅜	11⅜ − ⅛

Total Sales 3,305,028 shares.

f—No voting rights or restricted voting rights.

OVER-THE-COUNTER
Nasdaq national market, 3pm prices July 19

Continued from page 43

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

AIM Group	262	+	7
Atlantic Computers	495	+	132
Beatson, Clark	350	+	62
Bejam	181	+	5
Body Shop	635	+	12
Bradstock	230	+	15
CASE	98	+	11
CCF	172	+	7
Creighton Labs.	390	+	27
Dalgety	351	+	6
De la Rue	480	+	9
Delyn Packaging	105	+	7
Greig Shipping	790	+	15
Laing Props.	535	+	10
Peachey Prop.	628	+	8
RHM	488	+	10
Taylor Woodrow	438	+	15
WCRS	345	+	11

FALLS

Brit. & Comm.	241	−	22
Brit. Aerospace	489	−	8
Cable & Wireless	369	−	11
Davies & Newman	725	−	30
Northamber	348	−	13½
Reckitt & Colman	921	−	8
Reuters B	529	−	12
Singer & Fr'lander	82	−	4

TOKYO - Most Active Stocks
Tuesday 19 July 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	132.58m	700	-54
Toshiba	98.84m	1,050	-30
NKK	89.76m	673	-42
Mitsubishi Heavy Ind	60.73m	935	-60
Mitsui Engineer	52.37m	673	-41
Kawasaki Steel	50.36m	710	-50
Kawasaki Heavy Ind	43.23m	700	-60
Hitachi	40.73m	1,730	-50
Mitsubishi Electric	36.25m	950	-26
Kobe Steel	34.33m	571	-44

INDICES

NEW YORK DOW JONES

	Jul 18	Jul 15	Jul 14	Jul 13	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2117.89	2129.45	2113.62	2104.37	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.57	88.50	88.57	88.94	91.25 (3/3)	86.12 (4/1)	–	–
Transport	886.45	892.77	888.14	887.49	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	178.11	179.65	179.05	178.82	190.02 (29/1)	167.36 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2132.47 (2140.11) Low 2099.4 (2099.57)

STANDARD AND POOR'S	Jul 18	Jul 15	Jul 14	Jul 13	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	270.51	271.41	270.26	269.32	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	312.70	314.38	312.17	311.12	318.56 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.57	24.81	24.67	24.51	24.92 (30/6)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	152.83	153.49	152.76	152.27	155.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (28/4/42)
Amex Mkt. Value	309.00	309.02	308.14	307.66	309.53 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	394.77	394.61	394.67	393.56	394.69 (1/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Jul 15	Jul 8	Jul 1	year ago (approx.)
Dow Industrial Div. Yield	3.51	3.55	3.50	2.74

	July 13	July 6	Jun 29	year ago (approx.)
S & P Industrial div. yield	3.13	3.07	3.10	2.40
S & P P/E ratio	14.10	14.24	14.18	23.20

TRADING ACTIVITY † Volume (Millions)

	Jul 18	Jul 15	Jul 14
New York	156,652	190,730	172,410
Amex	11,360	9,160	9,152
OTC	122,469	136,576	138,288

NEW YORK	Jul 18	Jul 15	Jul 14
Issues Traded	1,963	1,937	1,946
Rises	518	785	773
Falls	961	619	636
Unchanged	484	533	537
New Highs	22	32	29
New Lows	12	20	11

CANADA

NEW YORK ACTIVE STOCKS

3pm prices July 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.3	22	238	26⅞	26½	26¾	– ⅛
12⅞	8¾	ACMIn	n1.33e	11.		305	11⅝	11⅜	11½	– ⅛
12⅛	10⅞	ACMSc	n1.28	11.		675	11⅛	11¼	11¼	– ⅛
10⅛	9¼	ACMSp n				207	9½	9¼	9¼	– ¼
27¾	10½	AGS			21	537	27⅛	27	27	– ⅛
7⅞	2½	AMCA				109	4⅛	4	4⅛	+ ⅛
8⅝	3¼	AM Intl				468	5⅛	5	5	– ¼
29⅞	17	AM Int pf	2	9.7		102	20⅝	20½	20⅝	
65½	25¾	AMR			11	2937	47⅞	46½	46½	– ½
27	25	ANR pf	2.67	11.		11	25⅜	25⅛	25⅜	– ⅛
11⅛	5¼	ARX			11	53	6⅜	6⅝	6⅜	+ ⅛
72⅞	40⅛	ASA	3	7.1		873	42⅛	40½	42⅛	+ 1⅜
22⅞	9½	AVX	.05e	.3	14	345	19½	19¼	19¼	+ ¼
68⅞	40	AbtLab	1.20	2.7	16	3877	45⅛	44⅝	44⅝	– ⅝
28	15⅜	Abitibi g	1			103	18	17⅞	18	+ ¼
16¾	8½	AcmeC	.40	3.5		81	11⅜	11¼	11⅜	– ¼
20	14⅛	AdaEx	2.83e	18.		57	15⅜	15⅛	15⅜	
19¾	8⅞	AdamMl	.24	1.5	13	61	16⅛	16	16	– ⅛
24⅞	7½	AMD				5250	14⅛	13⅝	13¾	– ½
11⅞	4⅜	Adobe			12	24	7⅝	7⅝	7⅝	
20¼	16¾	Adob pf	1.84	10.		z11	17¾	17¾	17¾	+ ¼
13	5⅞	Advest	.12	1.4	11	344	8½	8⅛	8⅜	+ ⅛
64¼	39½	AetnLf	2.76	6.2	8	69308	45⅛	44½	44¾	– ¼
41⅜	20½	AfilPb s	.20	.7	46	860	27⅛	27	27	– ⅛
23⅝	13	Ahmans	.88	5.8	10	1179	15½	15⅛	15¼	– ¼
4	1⅞	Aileen				14	3½	3⅜	3⅜	
53⅞	29	AirPrd	1.20	2.4	14	710	50½	49⅝	49⅞	– ⅝
29⅛	11⅛	AirbFrt	.60	3.4	24	40	18	17⅞	17⅞	– ⅛
16½	6¾	Airgas			19	46	15¼	15	15⅛	
20	13½	Airlease	2.30	12.	10	56	19½	19⅜	19⅜	– ⅛
9⅞	7⅝	AlaP	dpf.87	9.4		16	9¼	9	9¼	+ ⅛
98	87½	AlaP pf	9	9.9		z830	90⅞	90⅝	90⅞	+ ⅛
24	12⅛	AlskAir	.16	.8	17	1664	19⅜	18⅞	19½	+ ¼
38	14¾	Alberto	.30	.8	22	105	36½	36	36⅛	+ ⅛

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
26½	11	Ryland	.60	3.9	7	66	16⅞	16⅝	16⅞	+⅛
20⅝	7½	Rymer			18	101	12⅞	12½	12½	−⅛
		– S – S – S –								
35¼	27⅞	SCEcp	2.46	7.8	10	1083	32	31⅝	31⅝	
17	5	SCOR U.10e		1.4	8	125	7⅛	7	7	−⅛
13⅞	7⅞	SL Ind	.16b	2.3	14	28	8	7⅞	8	+⅛
40½	20⅞	SPSTec	1	2.5	17	66	40⅛	39⅞	40⅛	+⅛
39⅞	21⅛	SPX Cp	1.20	3.3	15	112	36⅛	35⅞	36⅛	
[illegible]										
35⅛	19½	XTRA	.64	1.9	17	56	33⅛	32½	32⅞	+⅛
29⅞	19½	XTRA pf1.94		4.7		31	29⅛	28⅞	29	+⅛
59⅞	17½	Yorkin			16	1893	58⅞	58⅛	58½	+⅛
7	2⅛	Zapata				177	2⅞	2⅞	2⅞	−⅛
37	18½	Zayre	.40	2.1	11	2363	19⅝	19	19⅛	−⅛
33⅞	10	ZenithE				1330	24⅞	24⅛	24⅛	−⅛
10⅞	9⅛	Zenith n .15e		1.6		152	9⅞	d 9⅝	9⅝	−⅛
10⅛	1	vjZenLb				84	1⅛	1⅛	1⅛	
24	19½	ZenNtl	.80b	3.5	11	101	23⅛	22⅞	22⅞	−⅛
20⅞	11⅞	Zero	.40	2.6	15	94	15½	15⅛	15	+⅛
30⅛	15	Zurnin	.66	3.0	15	572	22⅛	21⅞	22⅛	+⅛
11⅛	7⅝	Zweig	1.05e	9.6		362	10⅞	10⅝	10⅞	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices July 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

Copyright by The Associated Press

OVER-THE-COUNTER

Nasdaq national market, 3pm prices July 19

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 41

WORLD STOCK MARKETS

AMERICA

Healthy corporate results fail to inspire equities

Wall Street

AN eventful session in currency and oil markets received a mixed response from equities and bonds yesterday, *writes Janet Bush in New York.*

The first main event of the day was continuing, aggressive intervention against the dollar by Group of Seven central banks, including the Bank of Japan which forced a sharp drop in the US currency.

The second key development was the announcement by Iran that it had shot down three Iraqi airplanes during what it claimed to be an Iraqi attack on a nuclear power station and its petrochemical plant at Bandar-Khomeini.

News of these hostilities came just a day after Iran said it would accept a United Nations-sponsored ceasefire, an announcement which pushed oil prices up sharply and depressed US Treasury bonds by a full point in longer-dated maturities.

The Dow Jones Industrial Average started the session drifting modestly lower but then selling accelerated. By 2pm, the Dow stood 29.87 points lower at 2,088.02 although volume was modest at only about 80m shares by midsession.

Yesterday, Treasury bond prices started the session modestly higher with gains of as much as ¼ points, which appeared to be in reaction to Monday's sharp losses and was encouraged partly by a fall in crude oil prices.

In morning trading, crude for August delivery was quoted 40 cents down at $15.30 a barrel.

Prices had lost some of their gains, particularly in the long end, by midsession when the Treasury's benchmark long bond was quoted only ⅛ point higher to yield 9.23 per cent.

After its initial resilience, the bond market appeared to sag as the dollar continued to fall

At midsession in New York, the US currency was quoted at Y133.80 and DM1.8620 compared with earlier session highs of Y134.35 and DM1.8732. New York currency traders reported that the US Federal Reserve continued to sell dollars for D-Marks during the morning session when the dollar was quoted at DM1.8675.

One of the factors keeping a floor underneath bond prices was a slightly easier Fed Funds rate yesterday. It had traded at 7⅝ per cent on Monday but yesterday slipped to 7¾ per cent. The bond market is extremely sensitive to any signs that the Fed is tightening monetary policy.

There was little reaction yesterday to news that the Bundesbank had again raised the rate on its system repurchase agreements by ¼ point, this time to 4 per cent.

The weakness in stock prices yesterday was attributed partly to the relative resilience of bonds. However, given the current corporate results season in which healthy increases in earnings have been announced, the drift downwards was somewhat disappointing.

Equity dealers suggested yesterday that the market was failing to react to healthy corporate results because they had already built up very high expectations. The results so far have shown advances similar to, but not much better than, those seen in the first quarter.

Philip Morris, the tobacco company, dropped $1⅛ to $89¾ after it reported a rise in its second quarter net income to $2.68 a share from $2.

Canada

DECLINES by key share groups dragged the Toronto market lower at midsession, with the composite index down 23.10 at 3,408.60.

Canadian Pacific, which said on Monday that it would sell its 54 per cent stake in Algoma to Dofasco, dropped C$¼ to C$22¾.

● **Price changes for the New York and Canadian stock markets, listed on the opposite page, are calculated from the close on Friday July 15, rather than Monday July 18, because of technical problems.**

ASIA PACIFIC

Nikkei tumbles 513 in worst fall this year

Tokyo

THE upsurge in crude oil prices triggered a wave of selling in Tokyo yesterday which sent the Nikkei average into its steepest single-day fall this year, *writes Shigeo Nishiwaki of Jiji Press.*

The market indicator tumbled 513.09 points to close at 27,149.03 in moderate volume of 1.24bn shares, a slight improvement on Monday's 1.15bn shares. The plunge followed a hefty setback on Monday and left the Nikkei 764.76 points, or 2.7 per cent, below last Friday's close.

It reached a day's high yesterday of 27,645.89 and a low of 27,109.31. Declining issues overwhelmed rising ones by 767 to 151, with 127 issues unchanged. In later trading in London, Japanese shares fell further, but ended the day off their opening lows. The ISE/Nikkei 50 index, which closed in Tokyo at 1,721.76, finished down 6.67 at 1,715.09 after opening at 1,710.11.

Tokyo investors generally welcomed the Iranian acceptance of UN calls for a ceasefire with Iraq, believing an end to the Gulf war would help stabilise currency rates and lead crude oil prices lower.

But the immediate reaction, in the form of a sharp upswing in oil prices in Europe and the US, set off widespread profit-taking, with recent favourites such as the giant steel companies and shipbuilding stocks sold particularly heavily.

Nippon Steel plunged Y54 to Y700 on the day's largest volume of 132.56m shares. NKK fell Y42 to Y673, Kawasaki Steel Y50 to Y710, Mitsubishi Heavy Industries Y60 to Y935 and Mitsui Engineering and Shipbuilding Y41 to Y673.

Heavy electricals slid in sympathy after hitting all-time highs in recent sessions: Toshiba shed Y30 to Y1,050, Hitachi Y50 to Y1,730 and Mitsubishi Electric Y26 to Y950.

The high-technology sector was hit across the board, with Oki Electric Industry losing Y60 to Y1,020, Sanyo Electric Y28 to Y782 and Fujitsu Y50 to Y1,660. These middle-priced issues had recently attracted interest because of the yen's slide against the dollar.

Car stocks also fared badly, with Nissan Motor declining Y60 to Y1,180.

On the upside, dredging companies and heavy plant manufacturers climbed steadily on expectations that Iran and Iraq could place orders with Japan and other countries to rebuild facilities along the Gulf if peace is achieved. Penta-Ocean Construction advanced Y39 to Y875, Daito Kogyo Y19 to Y899, JGC Corp Y110 to Y1,380, Toyo Engineering Y100 to Y960 and Chiyoda Chemical Engineering and Construction Y100 to Y930.

Mitsui and Co, involved in a big Iranian-Japanese petrochemical project, firmed Y10 to Y920.

Leading securities houses reacted calmly to the market's sharp fall because a number of investors had already secured large profits after recent steady gains. One such house said the setback would help prolong what he described as a bull market led by large capital stocks.

The bond market soared as the yen recovered to the Y133 range against the dollar. Iran's acceptance of the ceasefire resolution brought a pause in the rise in short-term interest rates, which in turn encouraged buying by dealers.

The yield on the benchmark 5.0 per cent government bond due in December 1997 dropped from Monday's 5.145 per cent to 5.030 per cent, with inter-dealer trading volume surging above Y2,000bn from less than Y1,000bn on monday.

Equities also plummeted on the Osaka Securities Exchange, with the OSE stock average suffering its biggest fall this year of 566.27 to 27,027.77. Turnover dropped by nearly 5m shares to 81m.

Ono Pharmaceutical slumped Y220 to Y5,180 and Morita Fire Pump Y110 to Y1,460 on profit-taking.

Roundup

THE PLUNGE in Tokyo sparked nervous selling in most markets in the Asia Pacific region, leaving share prices sharply lower.

AUSTRALIA began weakly on a downturn in commodity prices and the overnight decline on Wall Street, and news of the heavy losses in Tokyo just before the end of the morning session sent shares tumbling.

The All Ordinaries index lost 19.1 to 1,623.4 from its post-crash high on Monday and turnover rose to 162m shares worth A$277m.

Resource stocks were badly hit, with Western Mining dropping 22 cents to A$6.44 in heavy trading of 3.05m shares and MIM, which announced a one-for-four rights issue, shedding 15 cents to A$2.06 on 2.89m shares. Golds suffered from the fall in the bullion price, but the oil sector was boosted by the rise in crude oil prices.

In a generally weaker industrial sector, Bell Group rose 1 cent to A$2.64 on continued heavy turnover of 14.46m shares. Bond Corp, which is buying the stock, lost 5 cents to A$2.95.

AFP shed 3 cents to A$1.63 on 5.81m shares, mainly special sales by McIntosh Hamson Hoare Govett. Elders IXL, a leading shareholder in AFP, lost 5 cents to A$3.39 on 5.5[illegible]m shares.

HONG KONG was hit by concern over rising interest rates and the sharp fall in Tokyo, and the Hang Seng index dropped 33.57 to 2,577.80 in turnover worth HK$[illegible]m against Monday's HK$[illegible]m.

Hongkong Telecom lost a further 10 cents to HK$6.70, while Hutchison Whampoa shed 15 cents to HK$9.45. Hongkong Bank recovered 5 cents against the trend to HK$6.20.

SINGAPORE recovered slightly from a steep midsession fall to close 10.55 lower at 1,136.03 in turnover of 53m shares compared with 61m on Monday. There were 154 falls to only 25 rises.

NEW ZEALAND also fell back, with the Barclays index down 26.35 at 2,058.86.

TAIPEI reversed early gains to end 43.15 lower at 5,372.92.

SEOUL took an opposite course, with shares surging on expectations that a Gulf War ceasefire would lead to Middle East construction contracts for South Korean companies. The composite stock index rose 16.81 to 663.68.

EUROPE

Investors unsettled by rising interest rates

ANXIETY over rising interest rates and declines in world markets hit most of Europe yesterday, *writes Our Markets Staff.*

FRANKFURT again ended lower as worries over the sharp fall in Tokyo and the overnight losses on Wall Street compounded uncertainty about interest rates. As anticipated, the Bundesbank raised the securities repurchase rate to 4 per cent from 3¾ per cent, but it was widely believed interest rates were set to rise further.

The FAZ index fell 8.07 to 482.80, while the closing DAX index showed a smaller fall of 9.6 to 1,170.10 after bargain-hunting took prices off their lows. Volume was thin at DM2.19bn.

Although most analysts expect further strength in the market if interest rate uncertainties are resolved, they differ on how far it has to run. BZW said yesterday it expected the stronger dollar and revisions to GNP growth to help the FAZ to 500 before the end of the month but that it was unlikely to be sustained much above this, with no evidence of a long-term commitment from foreign investors.

Some other analysts are more bullish, however, forecasting a rise to at least 510 or 520 in the next quarter.

Insurer Allianz lost DM6 to DM1,457 after Monday's news of 1987 profits in line with expectations.

Retailer Karstadt fell DM17 to DM422 after going ex a DM8 dividend. One analyst said trading positions had been built up in the stock in the two weeks before Monday's annual meeting and these were being unwound as little new had emerged.

Bonds moved up slightly, with the yield on the 6½ per cent 1998 federal bond easing to 6.81 per cent from 6.82.

PARIS picked up on late bargain-hunting but still ended the day lower as worries over interest rates sent investors scurrying to the sidelines.

The opening CAC General index fell 7.8 to 347.7 - a 2 per cent decline - and the EFX 50 index closed at 342.62, off 5.77. Volumes were estimated at a low FFr800bn and one analyst said: "France has had a jolly good run and the excitement is dropping off. Foreign money is going instead into places like Italy."

News of a "privatisation pact" between leading shareholders in CGE had little effect on the stock, off FFr1.50 at FFr299, but analysts agreed the Government would probably act soon to break up the hard core shareholdings of companies privatised under Mr Jacques Chirac's administration.

MILAN remained firm, with industrials finding favour and the Comit index rising 3.97 to 524.42 in fairly active trading. Shares ended off their highs on profit-taking.

Fiat continued to draw foreign interest, up L75 at L9,605, though coming off to L9,590 after hours. Generali ended L1,120 higher at L86,820, and cement and engineering stocks made good gains.

ZURICH fell back after losses in New York and Tokyo, an easier dollar and rising local interest rates offset good corporate news. The Credit Suisse index eased 2.4 to 470.4.

Chemical company Sandoz, which said it expected good results this year after a first half rise in profits in line with expectations, shed SFr200 to SFr12,650.

Schindler bearer lost SFr50 to SFr5,250 but the registered stock was up SFr20 to SFr720 on the company's planned purchase of the elevator interests of Westinghouse Electric of the US.

Food group Hero, which on Monday reported a 28 per cent rise in first half turnover, saw its participation certificate ease SFr5 to SFr1,520.

AMSTERDAM was hit by the weaker dollar and interest rate worries and closed lower in thin trading, as institutional investors steered clear.

Fokker, off 60 cents at Fl 29, reported plans to expand its production lines for the Fokker 100 aircraft, enabling it to produce three a month, rather than one.

MADRID was knocked by bad inflation figures for June, and shares ended lower amid profit-taking, with the general index off 3.07 at 291.36.

STOCKHOLM followed leading markets lower, with the Affärsvärlden index easing 1.7 to 871.1. Volume was low, at SKr162m worth of shares.

SCA, which announced on Monday the purchase of Italian paper company Italcarta, lost SKr2 to SKr366.

London

CAUTION over today's figures on bank lending and the UK money supply led to generally hesitant trading. Early sizeable block trades added some excitement, but the FT-SE 100 index closed 4.5 lower at 1,844.8. Most international stocks found little interest.

SOUTH AFRICA

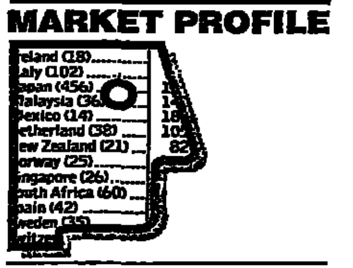
THE easier financial rand and firm bullion price lent some support to share prices, which closed little changed amid market uncertainty. AECI, posting higher interim profits, eased 30 cents to R10.50.

Foreigners dissuaded by taxes and stake limits

The Swedish bourse, the largest in Scandinavia, has been one of Europe's and the world's best performing markets this year, with share prices rising by about 30 per cent – though not yet back to their pre-crash highs.

Surplus liquidity from domestic funds has combined with healthy results from the corporate sector, a favourable economic outlook and a spate of takeovers to attract both local and foreign buying, and drive shares higher.

MARKET PROFILE



With a current market capitalisation of around SKr530bn ($82bn), Stockholm lies just behind Amsterdam and ahead of Madrid in the European league, according to UK brokers James Capel. A total of 158 shares are listed on the exchange and the top 10 stocks account for 40 per cent of market capitalisation.

Only about 15 per cent of the listed stock is freely tradeable because of the presence of insurance companies, national pension funds and investment groups such as the Wallenberg investment companies and the Svenska Handelsbanken, which keep their holdings in other companies as long-term investments.

The bourse, which continues to be controlled primarily by the banks, trades officially for four and a half hours each day, from 10 am to 2.30 pm. There is no limit to after hours trading. The trading system is still paper-based but will be computerised in the autumn when the Stockholm market celebrates its 125th anniversary. The changeover is set for October 7.

Although there has been a lot of foreign interest in Stockholm this year, obstacles keep much international trading away from Sweden itself. The doubling of the share turnover tax to 2 per cent in July 1986 raised transaction costs in Stockholm to between three and fives times the level in London and New York, where the leading Swedish companies are also listed. As a result, it is estimated that as much as 85 per cent of free shares in market leaders such as Volvo, Asea, Electrolux and Ericsson is now traded abroad.

There are also restrictions on foreign share ownership. Foreigners can only buy free shares, which are limited to 40 per cent of a company's equity and 20 per cent of its voting rights. Foreign investment in banks is at present prohibited, but this is likely to change shortly under recommendations from the Credit Market Committee.

On the Stockholm bourse, A shares have full voting rights, while B shares currently have voting powers equal to one tenth of those of the A shares. However, many companies which issued B shares prior to existing legislation are still allowed to set their own limit on voting rights and in some cases B shares may carry as little as one thousandth of an A share's voting rights or even one millionth.

Settlement generally takes place five working days after the transaction and there is physical delivery of share certificates.

Stockholm also has an over-the-counter market, where average daily turnover in the first quarter of this year was SKr11.4m, and a bond market.

There is a 30 per cent withholding tax on dividends, but the amount is reduced for many foreign investors under double taxation treaties. The scale ranges from zero for France and 5 per cent for the UK to 15 per cent for most of the rest of western Europe. The US rate is 15 per cent.

A profile of Brussels appeared yesterday. Norway will be featured tomorrow.

Robert Taylor

STOCK MARKET FACT CHART STOCKHOLM

Market capitalisation: SKr530bn ($1=SKr6.45, £1=SKr10.77)
Number of shares listed: 158
Top 10 stocks, percentage of market: 40%
Trading hours: official – 10 am to 2.30pm; after hours – open-ended
Average daily turnover, first five months of 1988: SKr481m
Main indices: Veckans Affarer and Affärsvärlden (both cover all shares but have different base dates); also J&P (covers about 30 shares)
Current level of index (Affärsvärlden):871.1; 1988 high: 872.8 (8/7); 1988 low: 657.7 (4/1)
Settlement: five working days after transaction

Address: Borshuset Kallargatan 2, Box 1256, 111 82 Stockholm. Tel: 8-143160

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 18 1988					FRIDAY JULY 15 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	147.74	+1.7	131.19	124.01	3.59	145.31	129.51	122.31	150.35	91.16	147.19
Austria (16)	84.95	+0.0	75.44	82.92	2.51	84.98	75.74	82.78	98.18	83.72	97.02
Belgium (63)	112.41	-0.5	99.82	110.19	4.58	112.98	100.69	110.47	139.89	99.14	125.53
Canada (129)	126.80	-0.4	112.60	111.05	3.02	127.31	113.47	111.69	128.91	107.06	138.23
Denmark (39)	123.61	-0.7	109.77	120.62	2.41	124.42	110.89	120.79	132.72	111.42	112.96
Finland (26)	128.69	+0.3	114.28	120.06	1.43	128.33	114.38	119.10	139.53	106.78	–
France (129)	90.54	-1.9	80.41	90.08	3.60	92.29	82.25	91.57	99.62	72.77	106.64
West Germany (100)	75.21	-0.4	66.79	73.59	2.51	75.54	67.32	73.67	80.79	67.78	99.17
Hong Kong (46)	109.84	-1.1	97.54	110.22	4.15	111.08	99.00	111.40	111.86	84.90	135.36
Ireland (18)	138.54	+0.1	123.03	136.46	3.48	138.43	123.37	136.30	141.54	104.60	142.12
Italy (102)	70.27	+1.8	62.40	73.11	2.75	69.04	61.53	71.67	81.74	62.99	97.58
Japan (456)	159.70	-0.6	141.82	135.98	0.52	160.59	143.13	137.29	177.27	133.61	127.05
Malaysia (36)	153.27	+1.1	136.11	155.66	2.36	151.58	135.10	153.16	153.27	107.83	185.61
Mexico (13)	159.83	-0.4	141.93	399.56	1.36	160.47	143.02	401.16	180.07	90.07	301.54
Netherland (38)	102.49	-0.4	91.02	99.29	4.66	102.94	91.74	99.30	110.66	95.23	127.41
New Zealand (21)	79.69	+2.2	70.77	65.16	5.48	77.96	69.48	64.09	84.05	64.42	109.30
Norway (25)	118.83	+0.3	105.52	110.48	2.73	118.42	105.54	109.66	132.23	98.55	151.58
Singapore (26)	130.15	+1.4	115.58	123.16	2.11	128.35	114.39	121.10	130.15	97.99	163.35
South Africa (60)	125.31	-0.5	111.28	94.48	4.55	125.90	112.20	95.06	139.07	118.10	177.15
Spain (43)	146.54	-0.5	130.14	138.22	3.22	147.26	131.24	138.56	164.47	130.73	128.90
Sweden (35)	116.10	+0.1	103.10	110.90	2.57	115.94	103.33	110.49	125.50	96.92	119.31
Switzerland (55)	78.59	+0.0	69.79	76.13	2.25	78.59	70.05	75.74	86.75	75.60	102.81
United Kingdom (325)	128.75	-0.3	114.33	114.33	4.37	129.13	115.08	115.08	141.18	123.09	157.35
USA (582)	110.37	-0.5	98.01	110.37	3.55	110.94	98.87	110.94	112.47	99.19	127.09
Europe (1014)	103.41	-0.3	91.83	97.05	3.71	103.76	92.48	97.37	110.82	97.01	126.31
Pacific Basin (674)	157.21	-0.5	139.61	134.34	0.72	157.95	140.77	135.50	172.26	130.81	128.09
Euro-Pacific (1688)	135.71	-0.4	120.51	119.45	1.64	136.29	121.47	120.29	147.53	120.36	127.43
North America (711)	111.24	-0.5	98.79	110.43	3.52	111.81	99.65	111.01	113.29	99.78	127.69
Europe Ex. UK (689)	87.65	-0.4	77.84	86.30	3.14	87.98	78.41	86.35	92.99	80.27	107.04
Pacific Ex. Japan (218)	127.26	+0.8	113.02	113.86	3.75	126.20	112.48	113.07	128.15	87.51	140.96
World Ex. US (1890)	135.33	-0.4	120.18	119.05	1.72	135.91	121.13	119.88	146.49	120.26	128.47
World Ex. UK (2147)	125.33	-0.5	111.29	116.19	2.12	125.92	112.23	116.93	131.77	111.77	125.01
World Ex. So. Af. (2412)	125.61	-0.5	111.55	116.15	2.31	126.19	112.47	116.89	132.39	113.26	127.57
World Ex. Japan (2016)	109.29	-0.4	97.06	105.94	3.60	109.72	97.79	106.37	112.43	100.00	128.32
The World Index (2472)	125.62	-0.5	111.55	116.01	2.33	126.19	112.47	116.75	132.38	113.37	127.89

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.